

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Full Year Financial Statements and Dividend Announcement for the Year Ended 31 December 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL 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.

	Group		
	2019	2018	Change
	Rp'million	Rp'million	%
Revenue	3,955,495	4,353,759	(9)
Cost of sales	(3,356,982)	(3,580,868)	(6)
Gross profit	598,513	772,891	(23)
Other items of income			
Interest income	279	456	(39)
Other income	46,672	30,434	53
Other items of expenses			
Selling expenses	(152,185)	(139,723)	9
General and administrative expenses	(355,180)	(388,600)	(9)
Finance expenses	(105,557)	(92,388)	14
Other expenses	(14,248)	(71,491)	(80)
Profit before tax	18,294	111,579	(84)
Taxation	(12,552)	(47,495)	(74)
Net profit for the year	5,742	64,084	(91)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net actuarial (loss) gain on post-employment benefits	(26,595)	40,134	n.m
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation gain	12,860	18,910	(32)
Total comprehensive income for the year	(7,993)	123,128	n.m
Net profit (loss) attributable to:			
Owners of the Company	4,610	65,486	(93)
Non-controlling interests	1,132	(1,402)	n.m
	5,742	64,084	(91)
Total comprehensive income attributable to:			
Owners of the Company	(9,168)	124,263	n.m
Non-controlling interests	1,175	(1,135)	n.m
	(7,993)	123,128	n.m

n.m : not meaningful

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

	Group		
	2019	2018	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Depreciation:			
- property, plant and equipment	(104,438)	(97,949)	7
- right-of-use assets	(2,713)	-	n.m
Interest expenses:			
- loans and borrowings	(97,107)	(84,736)	15
- lease liabilities	(2,189)	-	n.m
Post-employment benefits expense	(50,603)	(50,180)	1
Workers separation expenses	(8,226)	(7,160)	15
Grant of equity-settled performance share plan	(4,248)	(2,327)	83
Amortisation of land use rights	(4,006)	(3,498)	15
Allowance for doubtful receivables	(516)	(22,057)	(98)
Net foreign exchange gain (loss)	10,644	(19,284)	n.m
Gain (loss) on change in fair value of biological assets	6,553	(5,321)	n.m
Income from insurance claim	3,219	-	n.m
Recovery of (allowance for) advance to suppliers	2,466	(2,709)	n.m
Net gain on disposal of property, plant and equipment	1,077	420	157
Interest income	279	456	(39)
Gain on disposal of assets held for sale	-	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	
	2019	2018	2019	2018
	Rp'million	Rp'million	Rp'million	Rp'million
Non-current assets				
Property, plant and equipment	531,950	506,869	8	-
Investment in subsidiary companies	-	-	827,279	824,998
Biological assets	52,620	44,294	-	-
Land use rights	51,505	54,379	-	-
Deferred tax assets	77,970	62,025	-	-
Other non-current assets	37,962	45,854	-	-
Right-of-use assets	74,887	-	-	-
	826,894	713,421	827,287	824,998
Current assets				
Inventories	994,460	740,995	-	-
Trade and other receivables	464,267	348,603	49,258	21,621
Prepaid operating expenses	76,046	58,856	531	397
Advances to suppliers	92,597	171,395	1,492	-
Restricted deposits	6,274	16,138	-	-
Cash and cash equivalents	13,474	29,806	1,564	2,097
	1,647,118	1,365,793	52,845	24,115
Current liabilities				
Trade and other payables	511,193	363,116	36,699	18,929
Other liabilities	72,966	73,006	2,421	3,640
Advances from customers	8,135	7,736	1,327	-
Provision for taxation	6,820	14,495	-	-
Loans and borrowings	1,144,305	1,030,081	-	-
Lease liabilities	57,280	-	-	-
	1,800,699	1,488,434	40,447	22,569
Net current (liabilities) assets	(153,581)	(122,641)	12,398	1,546
Non-current liabilities				
Loans and borrowings	28,495	146,415	-	-
Post-employment benefits	261,683	218,500	-	-
Deferred tax liabilities	2,982	91	-	-
Other liabilities	108,083	19,674	266,985	278,492
Lease liabilities	69,892	-	-	-
	471,135	384,680	266,985	278,492
Net assets	202,178	206,100	572,700	548,052
Equity attributable to owners of the Company				
Share capital ⁽¹⁾	537,603	2,502,305	537,603	2,502,305
Accumulated losses	(697,868)	(2,640,392)	9,443	(1,964,702)
Other reserves	357,586	340,505	25,654	10,449
	197,321	202,418	572,700	548,052
Non-controlling interests	4,857	3,682	-	-
	202,178	206,100	572,700	548,052

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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 2019		As at 2018	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
1,159,465	42,120	1,003,895	26,186

Amount repayable after one year

As at 2019		As at 2018	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
98,387	-	146,415	-

Details of collaterals

As at 31 December 2019, our bank borrowings are secured by the following:

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

As at 31 December 2019, a subsidiary of the Company has not met certain financial covenant ratios requirement as set out in the loan agreement with one of its lenders, and the lender has granted the subsidiary a waiver of having to comply with such covenant ratios and continued to support the subsidiary as there is no loans repayment default and the breach is technical in nature. The subsidiary has been servicing the repayments of the loan principal and its interest as and when they fall due and the utilization of the borrowing facilities continued as usual as of the date of this announcement.

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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	
	31 Dec 19	31 Dec 18
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from operating activities		
Profit before tax	18,294	111,579
Adjustments:		
Depreciation of property, plant and equipment	104,438	97,949
Interest expenses from loans and borrowings	97,107	84,736
Post-employment benefits expense	50,603	50,180
Grant of equity-settled performance share plan	4,248	-
Amortisation of land use rights	4,006	3,498
Depreciation of right-of-use assets	2,713	-
Interest expenses from lease liabilities	2,189	-
Allowance for doubtful receivables	516	22,057
Inventories written-down	11	58
Interest income	(279)	(456)
Net gain on disposal of property, plant and equipment	(1,077)	(420)
(Recovery of) allowance for advance to suppliers	(2,466)	2,709
(Gain) loss on change in fair value of biological assets	(6,553)	5,321
Net foreign exchange (gain) loss	(16,822)	21,838
Gain on disposal of assets held for sale	-	(30,014)
Gain on sales of land use rights	-	(135)
Issuance of shares under performance share plan	-	2,327
Operating cash flow before changes in working capital	256,928	371,227
Changes in working capital :		
Inventories	(253,476)	(244,244)
Trade and other receivables	(90,679)	(29,059)
Prepaid operating expenses	(23,853)	(1,753)
Advances to suppliers	86,225	(121,769)
Trade and other payable	148,077	79,683
Other liabilities	83,334	(70,223)
Advance from customers	399	(78,314)
Other non-current assets	(1,925)	(3,270)
Cash flow provided by (used in) operations	205,030	(97,722)
Income tax paid	(29,376)	(3,231)
Post-employment benefits paid	(18,640)	(46,767)
Net cash flows provided by (used in) operating activities	157,014	(147,720)
Cash flows from investing activities		
Purchase of property, plant and equipment	(136,086)	(95,460)
Proceeds from disposal of property, plant and equipment	1,539	570
Additions of biological assets	(1,774)	(90)
Interest received	279	456
Additions of land use rights	(1,132)	-
Proceeds from disposal of land use rights	-	135
Proceeds from disposal of assets held for sale	-	63,637
Net cash flows used in investing activities	(137,174)	(30,752)

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	Group	
	31 Dec 19	31 Dec 18
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from financing activities		
Drawdown of loans and borrowings	4,255,078	2,960,508
Repayment of loans and borrowings	(4,205,983)	(2,734,946)
Interest paid for loans and borrowings	(89,116)	(75,459)
Interest paid for lease liabilities	(2,189)	-
Repayment of lease liabilities	(45,461)	-
Withdrawal (placement) of restricted deposits	9,576	(2,613)
Net cash flows (used in) provided by financing activities	(78,095)	147,490
Net decrease in cash and cash equivalents	(58,255)	(30,982)
Effect of exchange rate changes on cash and cash equivalents	(197)	697
Cash and cash equivalents at beginning of year	29,806	33,905
Cash and cash equivalents at end of year	(28,646)	3,620

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

Cash and cash equivalents	13,474	29,806
Less: Bank overdraft	(42,120)	(26,186)
	(28,646)	3,620

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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
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
Effect of the adoption of SFRS(I) 16	-	(177)	-	-	-	-	(177)	-	(177)
Balance at 1 Jan 2019	2,502,305	(2,640,569)	309,050	(3,037)	1,078	33,414	202,241	3,682	205,923
Profit for the year	-	4,610	-	-	-	-	4,610	1,132	5,742
Other comprehensive income for the year:									
- Net actuarial (loss) gain on post-employment benefits	-	(26,611)	-	-	-	-	(26,611)	16	(26,595)
- Foreign currency translation gain	-	-	-	-	-	12,833	12,833	27	12,860
Other comprehensive income for the year, net of tax	-	(26,611)	-	-	-	12,833	(13,778)	43	(13,735)
Total comprehensive income for the year	-	(22,001)	-	-	-	12,833	(9,168)	1,175	(7,993)
Contribution by and distribution to owners:									
- Grant of equity-settled performance share plan	-	-	-	-	4,248	-	4,248	-	4,248
Total contribution by and distribution to owners	-	-	-	-	4,248	-	4,248	-	4,248
Others:									
- Capital reduction to reduce share capital	(1,964,702)	1,964,702	-	-	-	-	-	-	-
Total Others:	(1,964,702)	1,964,702	-	-	-	-	-	-	-
Balance at 31 Dec 2019	537,603	(697,868)	309,050	(3,037)	5,326	46,247	197,321	4,857	202,178
Balance at 1 Jan 2018 (FRS Framework)	2,501,056	(2,739,797)	309,050	(3,037)	-	14,482	81,754	4,817	86,571
Effect of the adoption of SFRS(I)	-	(5,926)	-	-	-	-	(5,926)	-	(5,926)
Balance at 1 Jan 2018 (SFRS Framework)	2,501,056	(2,745,723)	309,050	(3,037)	-	14,482	75,828	4,817	80,645
Profit (loss) for the year	-	65,486	-	-	-	-	65,486	(1,402)	64,084
Other comprehensive income for the year:									
- Net actuarial gain (loss) on post-employment benefits	-	39,845	-	-	-	-	39,845	289	40,134
- Foreign currency translation gain (loss)	-	-	-	-	-	18,932	18,932	(22)	18,910
Other comprehensive income for the year, net of tax	-	39,845	-	-	-	18,932	58,777	267	59,044
Total comprehensive income for the year	-	105,331	-	-	-	18,932	124,263	(1,135)	123,128
Contribution by and distribution to owners:									
- Issuance of shares under performance share plan	1,249	-	-	-	(1,249)	-	-	-	-
- Grant of equity-settled share options to employees	-	-	-	-	2,327	-	2,327	-	2,327
Total contribution by and distribution to owners	1,249	-	-	-	1,078	-	2,327	-	2,327
Balance at 31 Dec 2018	2,502,305	(2,640,392)	309,050	(3,037)	1,078	33,414	202,418	3,682	206,100

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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 year	-	9,443	-	10,957	20,400
Equity reduction to reduce share capital	(1,964,702)	1,964,702	-	-	-
Grant of equity-settled performance share plan	-	-	4,248	-	4,248
Balance at 31 Dec 2019	537,603	9,443	5,326	20,328	572,700
Balance at 1 Jan 2018	2,501,056	(2,049,117)	-	102	452,041
Total comprehensive income for the year	-	84,415	-	9,269	93,684
Issuance of shares under performance share plan	1,249	-	(1,249)	-	-
Grant of equity-settled performance share plan	-	-	2,327	-	2,327
Balance at 31 Dec 2018	2,502,305	(1,964,702)	1,078	9,371	548,052

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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 30 September 2019 to 31 December 2019. Please see point 1(d)(iii) below.

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

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

Share Awards granted, vested and released during the financial year of 2019 and 2018, and Share Awards outstanding as at 31 December 2019 and 31 December 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	3,100,000
As at 31 Dec 2019	2,377,150,505	As at 31 Dec 2018	2,377,150,505

Shares Awards Granted, Issued 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	-
Add: Shares Awards Granted	12,467,532	Add: Shares Awards Granted	21,653,058
Less: Shares Awards Issued	-	Less: Shares Awards Issued	(3,100,000)
As at 31 Dec 2019	31,020,590	As at 31 Dec 2018	18,553,058

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

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Save as disclosed above, the Company did not have any treasury shares, subsidiary holdings or other convertibles as at 31 December 2019 and 31 December 2018.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding period.**

	Group and Company
	Number of shares
As at 31 December 2019 and 31 December 2018	2,377,150,505

- 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 year 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 year 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 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.

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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 new Singapore Financial Reporting Standards (International) (SFRS(I)) for the financial year beginning 1 January 2019 as follows:

SFRS(I) 16 Leases

SFRS(I) 16 is effective for annual financial year 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. 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.

On 1 January 2019, the Group has applied a modified retrospective approach that does not restate comparative information but recognizes the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of accumulated losses on 1 January 2019.

The effect on adoption of the SFRS(I) 16 has resulted in an increase of right-of-use assets of Rp3,188 million and increase in lease liabilities of Rp3,365 million, with a corresponding increase in accumulated losses of Rp177 million as at 1 January 2019. The nature of expenses related to those leases had also changed as SFRS(I) 16 replaced the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

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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.

	Group	
	2019	2018
Weighted average number of ordinary shares for basic earnings per share computation	2,377,150,505	2,374,050,505
Effect of new shares:		
Issuance of shares under performance share plan	-	3,100,000
Weighted average number of ordinary shares for diluted earnings per share computation	2,377,150,505	2,377,150,505
Weighted average number of ordinary shares for basic earnings per share computation	2,381,426,821	2,375,106,549
Effect of dilution:		
Grant of equity-settled performance share plan	3,733,409	6,320,273
Weighted average number of ordinary shares for diluted earnings per share computation	2,385,160,231	2,381,426,821
	Rp (full amount)	Rp (full amount)
Earnings per share attributable to owners of the Company		
Basic	2	28
Diluted	2	27

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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	
	2019	2018	2019	2018
Net assets for the year attributable to owners of the Company used in computation of net asset value per share (Rp'million)	197,321	202,418	572,700	548,052
Number of ordinary shares at the end of the year	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)	83	85	241	231
Weighted average number of ordinary shares at the end of the year	2,385,160,231	2,381,426,821	2,385,160,231	2,381,426,821
Net asset value per weighted average number of ordinary share (Rp full amount)	83	85	240	230

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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 2018 have been reclassified to conform with the presentation adopted in the current year.

Our Group reported a net profit of Rp6 billion in 2019 as compared to a net profit of Rp64 billion in 2018. This was mainly due to lower gross profit attained as a result of lower sales revenue, higher selling and finance expenses, offset by lower staff related costs and professional fees, and higher exchange gain earned during the year.

Revenue

	Group		
	2019	2018	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Domestic sales	2,215,653	2,210,341	0
Export sales	1,739,842	2,143,418	(19)
Total	3,955,495	4,353,759	(9)

In line with the result above, our sales revenue was weaker by 9% in 2019 compare to 2018. The increase in the sales volume for domestic markets by 2% was insufficient to cushion the decrease in the sales volume for export markets amid a slowdown in export demand over the year, which brought volume down by 8% in 2019. Lower sales was also caused by lower average selling price by 7% in 2019 as compared to 2018.

The composition of our domestic sales to overall sales increase from 51% in 2018 to 56% in 2019.

Gross profit

Our gross profit dropped by 23% in 2019 due mainly to:

1. lower sales revenue from export products (as mentioned above) since export sales generally have higher margin; and
2. a lower unit production costs incurred as a result of higher production volume.

Other Income

In 2019, other income of Rp47 billion came mainly from the foreign exchange gain of Rp11 billion, gain on change in fair value of biological assets of Rp7 billion, recovery of advance to suppliers of Rp2 billion, income from insurance claim of Rp3 billion, and sales of scrap of Rp3 billion, respectively, while in 2018, mainly derived from 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.

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Selling expenses

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

General and administrative expenses

In 2019, the general and administrative expenses have decreased over that of previous year due mainly to lower professional fees.

Finance Expenses

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

Other expenses

In 2019, other expenses were derived mainly from workers separation expenses and amortisation of land use rights, while other expenses in 2018 came mainly from foreign exchange losses mostly on the back of depreciating IDR, allowance for doubtful receivables and advance to suppliers, workers separation expenses, amortisation of land use rights, tax penalties and loss from change in fair value of biological assets.

Taxation

Our taxation comprise the following:

	Group		
	2019	2018	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Current income tax	(17,893)	(9,430)	90
Deferred income tax (expense)	4,180	(36,001)	n.m
Over (under) provision of prior year taxes	1,161	(2,064)	n.m
Total	<u>(12,552)</u>	<u>(47,495)</u>	<u>(74)</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 year, the Group recognised deferred income tax mainly from recognition of post-employment benefits, offset by deferred tax expense arising from utilisation of tax losses in 1Q 2019.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Statement of Financial Position

Our property, plant and equipment increased by Rp25 billion. This was due mainly to the addition of assets primarily for machineries and production facilities (due to increase in production volume), offset by depreciation charges during the year.

Our right-of-use assets increased by Rp75 billion, mainly due to leases of assets primarily for heavy equipment (due to increase in production volume), offset by depreciation charges during the year.

Deferred tax assets increased by Rp16 billion. This is mainly due to the recognition of post-employment benefits.

In 2019, our Group's current assets have increased to Rp1,647 billion. The increase was mainly due to:

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

As at 31 December 2019, our Group's current and non-current liabilities have increased by Rp399 billion to Rp2,272 billion. This was contributed mainly by:

1. higher trade and other payables of Rp148 billion as a result of higher production and business activities;
2. increase in loans and borrowings and lease liabilities totaling Rp123 billion;
3. increase in provision for post-employment benefits of Rp67 billion; and
4. increase in other liabilities by Rp88 billion.

Statement of Cash Flow

During the year, the Group generated cash inflow of Rp157 billion from operating activities, and incurred cash outflow of Rp137 billion and Rp78 billion from investing and financing activities, respectively. Net cash decreased by Rp58 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. 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 25% in Indonesia:

Indonesia Rupiah to US Dollar exchange rates	(Weakened) / strengthened	Profit after tax for the year
		Rp6 billion
		Increase/ (decrease)
<i>Rp'full amount</i>		Rp'million
14,735	(6%)	(32,066)
14,457	(4%)	(21,377)
14,179	(2%)	(10,689)
13,623	2%	10,689
13,345	4%	21,377
13,067	6%	32,066

Our US\$ loans as at 31 December 2019 was US\$51 million
and 31 December 2018 was US\$54 million.

Exchange rate:

	Rp/US\$1
- 28 February 2020	Rp14,234
- 31 December 2019	Rp13,901
- 31 December 2018	Rp14,481

- 2) Uncertainty in global economy has affected our export sales performance thus we are experiencing a slow-down in the demand of our export products. We are caution on the prospect beyond that as keen competition has dampened the export pricing. In addition, our export sales income may be affected by the weakening of the US Dollar. We are monitoring the above factors and will do the necessary to mitigate the impact and strive to remain competitive.
- 3) Following the formation of the new government in Indonesia, we expect that this would result in an increase in the demand for our products domestically. We also believe that our domestic sales volume will grow due to our increased market penetration and supported by better Indonesian economic growth and government's continuous spending on infrastructure projects.

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.

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- 4) We will continue to exercise prudent cash management and consider getting additional financing as and when necessary. Our intention is also to fund capital expenditure for production expansion and adopt suitable technology to further improve the Group's production performance.

11. Dividend.

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend will be declared in the current year being reviewed.

(b) Corresponding Period of the Immediately Preceding Financial 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 year ended 31 December 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 year ended 31 December 2019:

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<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, holds more than 30% of the shareholding interests (direct and indirect)	5,806	-
PT Bank Sahabat Sampoerna - <i>Finance expense</i>		5,727	-
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. 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.

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PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently unaudited annual financial statements, with comparative information for the immediately preceding year.**

Year end 31 December 2019	Group			
	SGS division	ST division	Elimination	Total
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Revenue:				
External customers	1,979,132	1,976,363	-	3,955,495
Inter-segment	1,894,944	-	(1,894,944)	-
Total revenue	<u>3,874,076</u>	<u>1,976,363</u>	<u>(1,894,944)</u>	<u>3,955,495</u>
Results:				
Finance income	265	14	-	279
Finance expenses	(81,422)	(24,135)	-	(105,557)
Depreciation of property, plant and equipment	(106,570)	(581)	-	(107,151)
Amortisation of land use rights	(4,006)	-	-	(4,006)
Gain on change in fair value of biological assets	6,553	-	-	6,553
Post employment benefits expenses	(48,955)	(1,648)	-	(50,603)
Recovery of advance to suppliers	2,287	-	-	2,287
Allowance for doubtful receivables	-	(516)	-	(516)
Workers separation expenses	(8,120)	(106)	-	(8,226)
Net gain on disposal of property, plant and equipment	1,077	-	-	1,077
Grant of equity-settled performance share plan	(4,248)	-	-	(4,248)
Tax expenses (income)	(12,927)	375	-	(12,552)
Segment profit (loss)	<u>9,858</u>	<u>(4,116)</u>	<u>-</u>	<u>5,742</u>

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Year end
31 December 2018

	Group			
	SGS division	ST division	Elimination	Total
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Revenue:				
External customers	1,974,399	2,379,360	-	4,353,759
Inter-segment	2,287,074	-	(2,287,074)	-
Total revenue	4,261,473	2,379,360	(2,287,074)	4,353,759
Results:				
Finance income	444	12	-	455
Finance expenses	(70,487)	(21,901)	-	(92,388)
Depreciation of property, plant and equipment	(97,340)	(609)	-	(97,949)
Amortisation of land use rights	(3,498)	-	-	(3,498)
Loss on change in fair value of biological assets	(5,321)	-	-	(5,321)
Post employment benefits expenses	(48,775)	(1,405)	-	(50,180)
Allowance for advance to suppliers	(2,709)	-	-	(2,709)
Allowance for doubtful receivables	(4,287)	(17,770)	-	(22,057)
Workers separation expenses	(7,047)	(113)	-	(7,161)
Gain on disposal of assets held for sale	30,014	-	-	30,014
Issuance of shares under performance share plan	(1,249)	-	-	(1,249)
Grant of equity-settled performance share plan	(1,078)	-	-	(1,078)
Tax expenses	(43,192)	(4,303)	-	(47,495)
Segment profit	62,163	1,921	-	64,084

SGS division – Refers to the operations of PT Sumber Graha Sejahtera group of entities. This division principally in the business of manufacturing and sales of 1) primary processed timber products (main) such as general plywood and laminated veneer lumber and 2) secondary processed timber products such as truck, piano body parts and decking.

ST division – Refers to the operations of Samko Trading group of entities. This division principally trade in all types of timber products manufactured by the division, SGS division and third parties. This division produces mainly secondary timber products such as doors and windows.

Geographical segments

The following table presents revenue information regarding our Group's geographical segments for years ended 31 December:

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	Group	
	2019	2018
	<i>Rp'million</i>	<i>Rp'million</i>
Indonesia	2,215,653	2,210,341
North Asia	884,470	1,102,908
Malaysia	383,910	327,464
Singapore	215,471	186,259
United States of America	152,362	393,223
Europe	31,812	58,041
South East Asia	25,350	17,733
Middle East	24,624	20,042
Australia	17,610	24,635
Others	4,233	13,113
	<u>3,955,495</u>	<u>4,353,759</u>

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to section 8.

17. A breakdown of revenue and operating income (loss).

	Group		
	2019	2018	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%
Revenue:			
- First quarter	1,131,282	1,024,653	10%
- Second quarter	922,652	954,099	-3%
- Third quarter	1,138,168	1,256,072	-9%
- Fourth quarter	763,393	1,118,935	-32%
	<u>3,955,495</u>	<u>4,353,759</u>	<u>-9%</u>
Operating income (loss) after tax before deducting non-controlling interest:			
- First quarter	18,704	30,337	-38%
- Second quarter	(10,692)	13,273	n.m
- Third quarter	(1,096)	31,773	n.m
- Fourth quarter	(1,174)	(11,299)	-90%
	<u>5,742</u>	<u>64,084</u>	<u>-91%</u>

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

No dividend has been declared.

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19. 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 year ended 31 December 2019 who are related to a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
28 February 2020