

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Full Year Financial Statements and Dividend Announcement for the Year Ended 31 December 2020

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		
	2020	2019	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%
Revenue	3,194,734	3,955,495	(19)
Cost of sales	(2,709,897)	(3,356,982)	(19)
Gross profit	484,837	598,513	(19)
Other items of income			
Interest income	298	279	7
Other income	136,425	46,672	192
Other items of expenses			
Selling expenses	(162,340)	(152,185)	7
General and administrative expenses	(325,661)	(355,180)	(8)
Finance expenses	(110,281)	(105,557)	4
Other expenses	(41,103)	(14,248)	188
(Loss) profit before tax	(17,825)	18,294	n.m
Taxation	(19,076)	(12,552)	52
Net (loss) profit for the year	(36,901)	5,742	n.m
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net actuarial loss on post-employment benefits	(18,810)	(26,595)	(29)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation (loss) gain	(16,356)	12,860	n.m
Total comprehensive income for the year	(72,067)	(7,993)	802
Net profit (loss) attributable to:			
Owners of the Company	(91,997)	4,610	n.m
Non-controlling interests	55,096	1,132	4,767
	(36,901)	5,742	n.m
Total comprehensive income attributable to:			
Owners of the Company	(127,080)	(9,168)	1,286
Non-controlling interests	55,013	1,175	4,582
	(72,067)	(7,993)	802

n.m : not meaningful

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

	Group		
	2020	2019	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Depreciation:			
- property, plant and equipment	(107,555)	(104,437)	3
- right-of-use assets	(16,147)	(3,310)	388
Interest expenses:			
- loans and borrowings	(98,052)	(96,399)	2
- lease liabilities	(5,247)	(2,189)	140
Post-employment benefits expense	(45,598)	(50,603)	(10)
Net foreign exchange (loss) gain	(18,918)	10,644	n.m
Worker separation expenses	(11,330)	(8,226)	38
Amortisation of land use rights	(4,395)	(4,006)	10
Bad debt written off	(3,845)	-	n.m
Grant of equity-settled performance share plan	(1,247)	(4,248)	(71)
(Allowance for) reversal of allowance for advances to suppliers	(744)	2,466	n.m
Impairment of property, plant and equipment	(529)	-	n.m
Allowance for impairment losses for financial assets, net	(346)	(516)	(33)
Forfeiture of customer's deposits	-	19,674	(100)
Net gain on change in fair value of biological assets	127,979	6,553	1,853
Net gain on disposal of property, plant and equipment	1,106	1,077	3
Interest income	298	279	7

n.m : not meaningful

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial period.

	Group		Company	
	2020	2019	2020	2019
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Non-current assets				
Property, plant and equipment	521,923	531,950	8	8
Investment in subsidiary companies	-	-	827,279	827,279
Biological assets	414,724	52,620	-	-
Land use rights	62,884	51,505	-	-
Deferred tax assets	110,321	78,149	-	-
Other non-current assets	11,500	37,962	-	-
Right-of-use assets	103,229	74,887	-	-
	1,224,581	827,073	827,287	827,287
Current assets				
Inventories	876,641	994,460	-	-
Trade and other receivables	453,082	464,267	113,817	49,258
Prepaid operating expenses	93,999	76,046	505	531
Advances to suppliers	65,425	92,597	-	1,492
Derivative financial instruments	5,412	-	-	-
Restricted deposits	6,196	6,274	-	-
Cash and cash equivalents	30,322	13,474	770	1,564
	1,531,077	1,647,118	115,092	52,845
Current liabilities				
Trade and other payables	451,855	511,193	59,273	36,699
Other liabilities	61,416	72,966	2,631	2,421
Advances from customers	4,361	8,135	757	1,327
Provision for taxation	8,409	6,820	-	-
Loans and borrowings	1,238,979	1,144,276	-	-
Lease liabilities	58,387	57,309	-	-
	1,823,407	1,800,699	62,661	40,447
Net current (liabilities) assets	(292,330)	(153,581)	52,431	12,398
Non-current liabilities				
Loans and borrowings	196,551	28,495	-	-
Post-employment benefits	296,521	261,683	-	-
Deferred tax liabilities	75,871	3,161	-	-
Other liabilities	-	108,083	304,159	266,985
Lease liabilities	32,063	69,892	-	-
	601,006	471,314	304,159	266,985
Net assets	331,245	202,178	575,559	572,700
Equity attributable to owners of the Company				
Share capital ⁽¹⁾	539,028	537,603	539,028	537,603
Accumulated losses	(808,664)	(697,868)	19,488	9,443
Other reserves	341,124	357,586	17,043	25,654
	71,488	197,321	575,559	572,700
Non-controlling interests	259,757	4,857	-	-
	331,245	202,178	575,559	572,700

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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 2020		As at 2019	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
1,272,393	24,973	1,159,465	42,120

Amount repayable after one year

As at 2020		As at 2019	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
228,614	-	98,387	-

Details of collaterals

As at 31 December 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 31 December 2020, a subsidiary of the Company has not met certain financial covenant ratios requirement as set out in the loan agreement with two of its lenders, Bank OCBC and Bank CTBC.

Bank OCBC has granted the subsidiary a waiver of having to comply with such covenant ratios, while the management is in progress of obtaining a waiver from Bank CTBC and is confident to obtain such waiver.

The lenders continue 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 continues as usual as of the date of this announcement.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

	Group	
	31 Dec 20	31 Dec 19
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from operating activities		
(Loss) profit before income tax	(17,825)	18,294
Adjustments:		
Depreciation of property, plant and equipment	107,555	104,437
Interest expenses from loans and borrowings	98,052	96,399
Post-employment benefits expense	45,598	50,603
Amortisation of right-of-use assets	16,147	3,310
Interest expenses from lease liabilities	5,247	2,189
Amortisation of land use rights	4,395	4,006
Bad debt written off	3,845	-
Grant of equity-settled performance share plan	1,247	4,248
Allowance for (reversal of) advances to suppliers	744	(2,466)
Impairment of property, plant and equipment	529	-
Allowance for impairment losses for financial assets, net	346	516
Inventories written-down	79	11
Interest income	(298)	(279)
Gain on disposal of land use rights	(931)	-
Net gain on disposal of property, plant and equipment	(1,106)	(1,077)
Net foreign exchange loss	(17,925)	(28,661)
Net gain on change in fair value of biological assets	(127,979)	(6,553)
Forfeiture of customer's deposits	-	(19,674)
Operating cash flow before changes in working capital	117,720	225,303
Changes in working capital :		
Inventories	117,740	(253,476)
Trade and other receivables	(3,206)	(90,679)
Prepaid operating expenses	(7,781)	(23,853)
Advances to suppliers	6,712	86,225
Trade and other payable	(67,586)	148,077
Other liabilities	(1,595)	(5,075)
Advance from customers	(3,774)	399
Other non-current assets	(2,032)	(1,925)
Cash flow provided by operations	156,198	84,996
Income tax paid	(24,535)	(29,376)
Post-employment benefits paid	(31,197)	(18,640)
Net cash flows provided by operating activities	100,466	36,980
Cash flows from investing activities		
Purchase of property, plant and equipment	(50,323)	(136,086)
Proceeds from disposal of property, plant and equipment	1,106	1,539
Additions of biological assets	(3,692)	(1,773)
Interest received	298	280
Additions of land use rights	(4,126)	(1,132)
Proceeds from disposal of land use rights	935	-
Investment in a subsidiary	(1)	-
Net cash flows used in investing activities	(55,803)	(137,172)

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

	Group	
	31 Dec 20	31 Dec 19
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from financing activities		
Drawdown of loans and borrowings	4,770,996	4,668,511
Repayment of loans and borrowings	(4,594,278)	(4,611,517)
Interest paid for loans and borrowings	(91,429)	(88,407)
Interest paid for lease liabilities	(5,247)	(2,189)
(Repayment of) loan from a third party	(98,083)	98,083
(Repayment of) loan from a customer	(10,000)	10,000
Withdrawal of restricted deposits	140	9,576
	<hr/>	<hr/>
Net cash flows (used in) provided by financing activities	(27,901)	84,057
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	16,762	(16,135)
Effect of exchange rate changes on cash and cash equivalents	86	(197)
Cash and cash equivalents at beginning of year	13,474	29,806
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Cash and cash equivalents at end of year	<u>30,322</u>	<u>13,474</u>

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial period.

Group	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Accumulated losses	Restructuring reserves	Premium paid on acquisition of non-controlling interest	Performance share plan reserve	Foreign currency translation reserves	Total		
	Rp'million	Rp'million	Rp'million	Rp million	Rp million	Rp million	Rp'million	Rp'million	Rp'million
Balance at 1 Jan 2020	537,603	(697,868)	309,050	(3,037)	5,326	46,247	197,321	4,857	202,178
(Loss) profit for the year	-	(91,997)	-	-	-	-	(91,997)	55,096	(36,901)
Other comprehensive income for the year:									
- Net actuarial loss on post-employment benefits	-	(18,799)	-	-	-	-	(18,799)	(11)	(18,810)
- Foreign currency translation loss	-	-	-	-	-	(16,284)	(16,284)	(72)	(16,356)
Other comprehensive income for the year, net of tax	-	(18,799)	-	-	-	(16,284)	(35,083)	(83)	(35,166)
Total comprehensive income for the year	-	(110,796)	-	-	-	(16,284)	(127,080)	55,013	(72,067)
Contribution by and distribution to owners:									
- Increase in equity attributable to non-controlling interest from assets acquisition	-	-	-	-	-	-	-	199,887	199,887
- Issuance of shares under performance share plan	1,425	-	-	-	(1,425)	-	-	-	-
- Grant of equity-settled performance share plan	-	-	-	-	1,247	-	1,247	-	1,247
Total contribution by and distribution to owners	1,425	-	-	-	(178)	-	1,247	199,887	201,134
Balance at 31 Dec 2020	539,028	(808,664)	309,050	(3,037)	5,148	29,963	71,488	259,757	331,245
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)	-	(177)	-	-	-	-	(177)	-	(177)
Balance at 1 Jan 2019 (SFRS Framework)	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 share options to employees	-	-	-	-	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

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Company	Attributable to owners of the Company				
	Share capital	Accumulated losses	Performance share plan reserve	Foreign currency translation reserves	Total
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Balance at 1 Jan 2020	537,603	9,443	5,326	20,328	572,700
Total comprehensive income for the year	-	10,045	-	(8,433)	1,612
Issuance of shares under performance share plan	1,425	-	(1,425)	-	-
Grant of equity-settled performance share plan	-	-	1,247	-	1,247
Balance at 31 Dec 2020	539,028	19,488	5,148	11,895	575,559
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

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial period. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial period.

Please also 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.

As at 31 July 2020 and 29 August 2018, the Company has issued 7,685,778 and 3,100,000 ordinary shares in the share capital of the Company to the employee under the scheme of performance share plan.

Share Awards granted, vested and released during the financial period of 2020 and 2019, and Share Awards outstanding as at 31 December 2020 and 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	7,685,778	Add: Issuance of shares	-
As at 31 Dec 2020	2,384,836,283	As at 31 Dec 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	7,685,778	Less: Shares Awards Issued	-
As at 31 Dec 2020	23,334,812	As at 31 Dec 2019	31,020,590

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

As at 31 December 2020, there were 23,334,812 outstanding Share Awards under the Samko PSP that may be vested and released into 23,334,812 new shares, which representing 0.98% 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).

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

	<u>Group and Company</u>
	<u>Number of shares</u>
At 31 December 2019	2,377,150,505
Addition: Issuance of shares under performance share plan	<u>7,685,778</u>
At 31 December 2020	<u><u>2,384,836,283</u></u>

The Company did not have any treasury shares, subsidiary holdings or other convertibles as at 31 December 2020 and 2019.

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.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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 2020.

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.

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.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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	
	2020	2019
Weighted average number of ordinary shares for basic earnings per share computation	2,377,150,505	2,377,150,505
Effect of new shares:		
Issuance of shares under performance share plan	7,685,778	-
Weighted average number of ordinary shares for basic earnings per share computation	2,384,836,283	2,377,150,505
Weighted average number of ordinary shares for basic earnings per share computation	2,389,618,037	2,377,150,505
Effect of dilution:		
Grant of equity-settled performance share plan	-	12,467,532
Weighted average number of ordinary shares for diluted earnings per share computation	2,389,618,037	2,389,618,037
	Rp (full amount)	Rp (full amount)
Earnings per share attributable to owners of the Company		
Basic	(39)	2
Diluted	(38)	2

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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

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

	Group		Company	
	2020	2019	2020	2019
Net assets for the year attributable to owners of the Company used in computation of net asset value per share (Rp'million)	71,488	197,321	575,559	572,700
Number of ordinary shares at the end of the year	2,384,836,283	2,377,150,505	2,384,836,283	2,377,150,505
Net asset value per ordinary share (Rp full amount)	30	83	241	241
Weighted average number of ordinary shares at the end of the year	2,389,618,037	2,389,618,037	2,389,618,037	2,389,618,037
Net asset value per weighted average number of ordinary share (Rp full amount)	30	83	241	240

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors

Our Group reported a net loss of Rp37 billion in 2020 as compared to a net profit of Rp6 billion in 2019. This was mainly driven by lower gross profit attained as a result of lower sales revenue, higher selling expenses, and foreign exchange loss during the year, offset by the net gain on change in fair value of biological assets, lower staff related costs due to the reduction of manpower, lower pension costs and professional fees.

Revenue

	Group		
	2020	2019	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Domestic sales	1,396,728	2,215,653	(37)
Export sales	1,798,006	1,739,842	3
Total	<u>3,194,734</u>	<u>3,955,495</u>	<u>(19)</u>

In line with the result above, our sales revenue was weaker by 19% in 2020 compare to 2019 mainly due to the decrease in the sales volume for domestic markets by 28% amid a slowdown in local demand over the year, while the export sales volume was up by 8%. Lower sales were also caused by lower overall average selling price by 4% in 2020 as compared to 2019.

The composition of our export sales to overall sales increase from 44% in 2019 to 56% in 2020.

Gross profit

Our gross profit dropped by 19% in 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 2020, other income came mainly from the net gain on change in fair value of biological assets.

Selling expenses

Our selling expenses increased by 7% in 2020 as compared to 2019, due mainly to higher freight expenses in line with the increase in export sales.

General and administrative expenses

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

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Finance Expenses

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

Other expenses

In 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 against Rupiah has resulted in unrealized foreign exchange loss due to translation of our US Dollar denominated loans.

Taxation

Our taxation comprise the following:

	Group		
	2020	2019	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%
Current income tax	(3,934)	(17,893)	(78)
Deferred tax (expense) income	(11,148)	4,180	n.m
(Under) over provision of prior year taxes	(3,994)	1,161	n.m
Total	<u>(19,076)</u>	<u>(12,552)</u>	<u>52</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 tax expense mainly from the net gain on change in fair value of biological assets, offset by deferred income tax from the recognition of tax losses and post-employment benefits.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

(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 Rp10 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 year.

Our right-of-use assets increased by Rp28 billion, mainly due to leases of assets primarily for heavy equipment, offset by depreciation charges during the year.

Biological assets increased by Rp362 billion mainly due to the acquisition of SGM and the net gain on change in fair value of biological assets.

In 2020, our Group's current assets have decreased to Rp1,531 billion. The decrease was mainly due to:

1. lower inventory level as a result of the Company was trying to manage the working capital during the outbreak of COVID-19;
2. lower advance to suppliers for log and spare parts;
3. offset by 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; and
4. higher cash and cash equivalents.

As at 31 December 2020, our Group's current and non-current liabilities have increased by Rp152 billion to Rp2,424 billion. This was contributed mainly by:

1. increase in loans and borrowings and lease liabilities totaling Rp226 billion;
2. increase in deferred tax liabilities of Rp73 billion;
3. increase in post-employment benefits of Rp38 billion;
4. offset by decrease in non-current other liabilities by Rp108 billion;
5. decrease in trade and other payables of Rp59 billion; and
6. lower current other liabilities by Rp11 billion

Statement of Cash Flow

During the year, the Group generated cash inflow of Rp100 billion from operating activities, and incurred cash outflow of Rp56 billion and Rp28 billion from investing and financing activities, respectively. Net cash increased by Rp16 billion.

Cash inflow from operating activities is mainly due to lower inventories offset by lower payables.

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.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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	Loss after tax for the year Rp37 billion (Increase)/ decrease
<i>Rp'full amount</i>		Rp'million
14,951	(6%)	(33,034)
14,669	(4%)	(22,022)
14,387	(2%)	(11,012)
13,823	2%	11,012
13,541	4%	22,022
13,259	6%	33,034

Our US\$ loans as at 31 December 2020 and 2019 were US\$52 million and US\$51 million.

Exchange rate:	<u>Rp/US\$1</u>
- 1 March 2021	Rp14,300
- 31 December 2020	Rp14,105
- 31 December 2019	Rp13,901

- 2) In light of the outbreak of COVID-19, the implementation of the currently ongoing Large and Micro Scale Social Restriction by the Indonesia Government, 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, however, demand from our export market is expected to grow and has not been 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.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

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 2020 has been declared because of the accumulated losses.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

13. Interested person transactions.

The following is the aggregate value of all transactions with interested persons for the year ended 31 December 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, holds more than 30% of the shareholding interests (direct and indirect)	6,892	-
PT Bank Sahabat Sampoerna - <i>Finance expense</i>		6,453	-

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 year ended 31 December 2020 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.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

16. **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 2020	Group			
	SGS division <i>Rp'million</i>	ST division <i>Rp'million</i>	Elimination <i>Rp'million</i>	Total <i>Rp'million</i>
Revenue:				
External customers	1,179,046	2,015,688	-	3,194,734
Inter-segment	1,925,508	-	(1,925,508)	-
Total revenue	<u>3,104,554</u>	<u>2,015,688</u>	<u>(1,925,508)</u>	<u>3,194,734</u>
Results:				
Finance income	231	67	-	298
Finance expenses	(90,953)	(19,328)	-	(110,281)
Depreciation of property, plant and equipment	(107,026)	(529)	-	(107,555)
Depreciation of right-of-use assets	(14,570)	(1,577)	-	(16,147)
Amortisation of land use rights	(4,395)	-	-	(4,395)
Impairment of property, plant and equipment	(529)	-	-	(529)
Net gain on change in fair value of biological assets	127,979	-	-	127,979
Post-employment benefits expenses	(45,805)	207	-	(45,598)
Allowance for advance to suppliers	(744)	-	-	(744)
Allowance for impairment losses for financial assets, net	-	(346)	-	(346)
Bad debt written off	(3,845)	-	-	(3,845)
Net gain on disposal of property, plant and equipment	1,070	36	-	1,106
Gain on disposal of land use rights	931	-	-	931
Workers separation expenses	(10,790)	(540)	-	(11,330)
Tax expenses	(17,313)	(1,763)	-	(19,076)
Segment loss	<u>(34,653)</u>	<u>(2,248)</u>	<u>-</u>	<u>(36,901)</u>

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Year end 31 December 2019	Group			
	SGS division <i>Rp'million</i>	ST division <i>Rp'million</i>	Elimination <i>Rp'million</i>	Total <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	(103,856)	(581)	-	(104,437)
Depreciation of right-of-use assets	(2,713)	(597)	-	(3,310)
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)
Reversal of advances to suppliers	2,466	-	-	2,466
Allowance for impairment losses for financial assets, net	-	(516)	-	(516)
Workers separation expenses	(8,120)	(106)	-	(8,226)
Net gain on disposal of property, plant and equipment	1,077	-	-	1,077
Tax (expenses) benefit	(12,927)	375	-	(12,552)
Segment profit (loss)	<u>8,522</u>	<u>(2,780)</u>	<u>-</u>	<u>5,742</u>

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.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Geographical segments

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

	Group	
	2020	2019
	<i>Rp'million</i>	<i>Rp'million</i>
Indonesia	1,396,728	2,161,290
North Asia	784,317	938,833
United States of America	510,784	152,362
Malaysia	297,035	383,910
Singapore	141,422	215,471
South East Asia	30,488	25,350
Europe	13,297	31,812
Middle East	10,134	24,624
Australia	5,633	17,610
Others	4,896	4,233
	3,194,734	3,955,495

17. 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.

18. A breakdown of revenue and net income (loss).

	Group		
	2020	2019	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%
Revenue:			
- First half	1,579,727	2,053,934	-23%
- Second half	1,615,007	1,901,561	-15%
	3,194,734	3,955,495	-19%
Net income (loss) after tax before deducting non-controlling interest:			
- First half	61,910	8,012	673%
- Second half	(98,811)	(2,270)	4253%
	(36,901)	5,742	n.m

19. 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.

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

20. 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 2020 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
1 March 2021