

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Third Quarter Financial Statements and Dividend Announcement for the Period Ended 30 September 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF THIRD QUARTER RESULTS

- 1(a) Consolidated statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3-month ended			9-month ended		
	30/09/2016	30/09/2015	Change	30/09/2016	30/09/2015	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Revenue	681,521	824,929	(17)	2,348,356	2,473,937	(5)
Cost of sales	(637,464)	(734,638)	(13)	(2,187,328)	(2,148,727)	2
Gross profit	44,057	90,291	(51)	161,028	325,210	(50)
Other items of income						
Interest income	157	143	10	432	419	3
Other income	64,007	2,584	2,377	118,611	4,354	2,624
Other items of expenses						
Selling expenses	(21,993)	(43,114)	(49)	(93,837)	(117,807)	(20)
General & administrative expenses	(74,165)	(81,314)	(9)	(236,289)	(228,556)	3
Finance expenses	(21,677)	(24,623)	(12)	(76,839)	(65,565)	17
Other expenses	(40,604)	(102,145)	(60)	(56,930)	(180,330)	(68)
Loss before tax	(50,218)	(158,178)	(68)	(183,824)	(262,275)	(30)
Taxation	(54,009)	230	n.m	(43,289)	(9,296)	366
Net loss for the period	(104,227)	(157,948)	(34)	(227,113)	(271,571)	(16)
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Net actuarial loss on post-employment benefits	(1,326)	(1,344)	(1)	(4,031)	(4,054)	(1)
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation gain (loss)	(344)	(15,184)	(98)	6,356	(15,073)	n.m
Total comprehensive income for the period	(105,897)	(174,476)	(39)	(224,788)	(290,698)	(23)
Net loss attributable to:						
Owners of the Company	(103,250)	(157,214)	(34)	(224,311)	(271,202)	(17)
Non-controlling interests	(977)	(734)	33	(2,802)	(369)	659
	(104,227)	(157,948)	(34)	(227,113)	(271,571)	(16)
Total comprehensive income attributable to:						
Owners of the Company	(104,920)	(173,737)	(40)	(221,981)	(290,293)	(24)
Non-controlling interests	(977)	(739)	32	(2,807)	(405)	593
	(105,897)	(174,476)	(39)	(224,788)	(290,698)	(23)

n.m : not meaningful

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

	3-month ended			9-month ended		
	30/09/2016	30/09/2015	Change	30/09/2016	30/09/2015	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Depreciation of property, plant and equipment	(27,538)	(35,441)	(22)	(83,787)	(99,151)	(15)
Workers separation expenses *)	(27,280)	-	n.m	(42,614)	-	n.m
Interest expense	(20,403)	(23,330)	(13)	(72,584)	(60,514)	20
Post employment benefits expenses	(13,163)	(9,871)	33	(39,960)	(29,613)	35
Net VAT receivable written-off	(12,721)	-	n.m	(12,721)	-	n.m
Amortisation of land use rights	(1,048)	(1,323)	(21)	(3,013)	(3,270)	(8)
Allowance for doubtful receivables	(185)	(609)	(70)	(1,808)	(3,266)	(45)
Gain on disposal of property, plant and equipment	94	1,520	(94)	402	1,686	(76)
Interest income	157	143	10	432	419	3
Recovery of allowance for advance to suppliers	1,338	-	n.m	4,071	-	n.m
Gain (loss) on foreign exchange, net	5,927	(50,551)	n.m	18,449	(88,942)	n.m
Net fair value gain on available for sale investment	56,648	-	n.m	95,689	-	n.m
Impairment of intangible assets	-	(34,915)	(100)	-	(34,915)	(100)
Allowance for irrecoverable advance to suppliers	-	(9,428)	(100)	-	(9,428)	(100)
Inventories written-down	-	(2,357)	(100)	-	(32,596)	(100)
Amortisation of intangible assets	-	(333)	(100)	-	(992)	(100)

*) Included in "Other expenses"

n.m : not meaningful

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

	Group		Company	
	30/09/2016	31/12/2015	30/09/2016	31/12/2015
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Non-current assets				
Property, plant and equipment	608,896	662,542	83	149
Investment in subsidiary companies	-	-	126,076	126,076
Investment in an associate ⁽¹⁾	-	-	-	-
Available for sale investment ⁽¹⁾	95,689	-	-	-
Biological assets	55,802	55,603	-	-
Land use rights	68,806	66,874	-	-
Deferred tax assets	69,984	65,316	-	-
Other non-current assets	5,754	31,986	-	9
	904,931	882,321	126,159	126,234
Current assets				
Inventories	460,441	567,975	-	-
Trade and other receivables	209,582	238,709	99,430	37,620
Prepaid operating expenses	62,227	74,849	1,213	447
Advances to suppliers	26,047	30,880	-	-
Restricted deposits	13,538	7,525	-	-
Cash and cash equivalents	71,549	91,075	1,736	2,411
	843,384	1,011,013	102,379	40,478
Current liabilities				
Trade and other payables	290,263	339,414	11,543	7,540
Other liabilities	237,071	125,719	67,762	3,636
Advances from customers	18,083	27,497	-	723
Provision for taxation	12,763	11,401	-	-
Loans and borrowings	635,169	536,239	-	-
	1,193,349	1,040,270	79,305	11,899
Net current (liabilities) assets	(349,965)	(29,257)	23,074	28,579
Non-current liabilities				
Loans and borrowings	363,267	456,644	-	-
Post-employment benefits	260,880	240,275	-	-
Deferred tax liabilities	31	569	-	-
	624,178	697,488	-	-
Net (liabilities) assets	(69,212)	155,576	149,233	154,813
Equity attributable to owners of the Company				
Share capital	2,188,645	2,188,645	2,188,645	2,188,645
Accumulated losses	(2,599,063)	(2,370,739)	(2,039,412)	(2,033,832)
Other reserves	333,166	326,823	-	-
	(77,252)	144,729	149,233	154,813
Non-controlling interests	8,040	10,847	-	-
	(69,212)	155,576	149,233	154,813

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Notes:

- (1) Represents the Group's 24.6% investment in PT SLJ Global Tbk, a company quoted in Indonesia Stock Exchange (IDX). During the period, the Group re-designated its investment in this associate as available for sale investment as the Group no longer has significant influence over the associate's financial and operating policies. The investment is being carried at the transaction price agreed in the proposed disposal of the investment as announced on 15 August 2016.

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

Amount repayable in one year or less, or on demand

As at 30/09/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
575,731	59,438	536,239	-

Amount repayable after one year

As at 30/09/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
363,267	-	456,644	-

Details of collaterals

As at 30 September 2016, our bank borrowings are secured by the following:

- (1) Land use rights, buildings, machinery and equipment, inventories, account receivables, collection and restricted deposits of a subsidiary, and corporate guarantees from the Company and certain subsidiaries of the Company. The loan facilities from our major lenders also include a clause demanding mandatory repayment of all the loan facilities if (i) there is any reduction in direct and/or indirect shareholding interests of PT Sumber Graha Sejahtera ("PT SGS") by Sampoerna Strategic Group, or (ii) the representatives appointed by Sampoerna Strategic Group are no longer present in PT SGS; or (iii) Mr Putera Sampoerna and his family is directly or indirectly no longer the controlling ultimate beneficiary owner of PT SGS and the Company. 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 mentioned in the previous quarters, a subsidiary of the Company has not met certain financial covenant ratios as set out in the loan agreement with one of its lenders. The subsidiary continues to breach such financial covenants in this quarter but it did not default on any loan principal and interest repayments as of to-date.

The subsidiary is currently in discussion with this lender to obtain the waiver to comply with those financial covenants. The discussion is progressing well and management is confident that this lender will grant the waiver. At this moment, any declaration of dividends and any drawdown of new loan from the existing loan facilities is subject to approval of this lender.

During the last quarter, the Group secured a new Rp60 billion bank loan facility from a new lender. The existing lenders had given their consent for the Group to use this bank loan facility on the condition that if there is no improvement in the results of the subsidiary by 3rd quarter 2016, the Group will increase the equity capital of the relevant subsidiary. The Group plans to increase the equity of the said subsidiary after the completion of rights issue exercise as announced on 9 September 2016. The Group expects to raise between S\$29.6 million (Rp276 billion) and S\$34.6 million (Rp323 billion) through the rights issue.

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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 year.

Group	9-month ended	
	30/09/2016	30/09/2015
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from operating activities		
Loss before tax	(183,824)	(262,275)
Adjustments:		
Depreciation of property, plant and equipment	83,787	99,151
Interest expense	72,584	60,514
Post-employment benefits expense	39,960	29,613
Net VAT receivable written-off	12,530	-
Amortisation of land use rights	3,013	3,270
Allowance for doubtful receivables	1,808	3,266
Gain on disposal of property, plant and equipment	(402)	(1,686)
Interest income	(432)	(419)
(Recovery of) allowance for advance to suppliers	(4,071)	9,428
Foreign exchange (gain) loss	(24,804)	73,094
Net fair value gain on available for sale investment	(95,689)	-
Impairment of intangible assets	-	34,915
Inventories written-down	-	32,596
Amortisation of intangible assets	-	992
Operating cash flow before changes in working capital	(95,540)	82,459
Changes in working capital :		
Inventories	107,534	(98,274)
Trade and other receivables	27,319	(31,023)
Prepaid operating expenses	(25,790)	(20,031)
Advances to suppliers	2,296	(3,392)
Trade and other payable	(49,151)	82,088
Other liabilities	12,756	(14,507)
Advance from customers	(9,414)	5,626
Other non-current assets	420	(19,018)
Cash flow used in operations	(29,570)	(16,072)
Income tax paid, net of refund	(7,698)	(21,913)
Post-employment benefit paid	(13,108)	-
Net cash flows used in operating activities	(50,376)	(37,985)
Cash flows from investing activities		
Purchase of property, plant and equipment (Note (i))	(18,619)	(73,930)
Additions of biological assets	(199)	(2,276)
Proceeds from disposal of property, plant and equipment	2,633	1,686
Interest received	432	419
Additions of land use rights	-	(2,060)
Advance received from sale of investment	20,000	-
Net cash flows used in investing activities	4,247	(76,161)

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Group	9-month ended	
	30/09/2016	30/09/2015
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from financing activities		
Drawdown of loans and borrowings	1,480,655	1,635,264
Repayment of loans and borrowings	(1,510,240)	(1,511,422)
Interest paid	(61,810)	(53,936)
(Placement) withdrawal of restricted deposits	(6,151)	301
Proceed from shareholder's loan	64,990	-
	<hr/>	<hr/>
Net cash flows (used in) provided by financing activities	(32,556)	70,207
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(78,685)	(43,939)
Effect of exchange rate changes on cash and cash equivalents	(279)	2,055
Cash and cash equivalents at beginning of period	91,075	107,073
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Cash and cash equivalents at end of period	12,111	65,189
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For the purpose of presenting the consolidated statement of cash flow, the consolidated cash and cash equivalent comprise the followings:		
Cash and cash equivalents	71,549	65,189
Less: Bank overdraft	(59,438)	-
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	12,111	65,189
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Notes:		
(i) Purchase of property, plant and equipment		
Property, plant and equipment were purchased by:		
- Cash payment	18,619	73,930
- Reclassification of advances made for the purpose of property, plant and equipment	12,323	20,345
- Finance lease	324	560
	<hr/>	<hr/>
	31,266	94,835
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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 year.

Group	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Accumulated losses	Restructuring reserves	Foreign currency translation reserve	Total		
	Rp'million	Rp'million	Rp'million	Rp million	Rp'million		
Balance at 1 Jan 2016	2,188,645	(2,370,739)	309,050	17,773	144,729	10,847	155,576
Loss for the period	-	(224,311)	-	-	(224,311)	(2,802)	(227,113)
Other comprehensive income for the period:							
- Net actuarial loss on post-employment benefits	-	(4,013)	-	-	(4,013)	(18)	(4,031)
- Foreign currency translation gain	-	-	-	6,343	6,343	13	6,356
	-	(4,013)	-	6,343	2,330	(5)	2,325
Total comprehensive income for the period	-	(228,324)	-	6,343	(221,981)	(2,807)	(224,788)
Balance at 30 Sep 2016	2,188,645	(2,599,063)	309,050	24,116	(77,252)	8,040	(69,212)
Balance at 1 Jan 2015	2,188,645	(1,896,810)	309,050	3,198	604,083	9,418	613,501
Loss profit for the period	-	(271,202)	-	-	(271,202)	(369)	(271,571)
Other comprehensive income for the period:							
- Net actuarial loss on post-employment benefits	-	(4,033)	-	-	(4,033)	(21)	(4,054)
- Foreign currency translation loss	-	-	-	(15,058)	(15,058)	(15)	(15,073)
	-	(4,033)	-	(15,058)	(19,091)	(36)	(19,127)
Total comprehensive income for the period	-	(275,235)	-	(15,058)	(290,293)	(405)	(290,698)
Balance at 30 Sep 2015	2,188,645	(2,172,045)	309,050	(11,860)	313,790	9,013	322,803

Company	Attributable to owners of the Company		
	Share capital	Accumulated losses	Total
	Rp'million	Rp'million	Rp'million
Balance at 1 Jan 2016	2,188,645	(2,033,832)	154,813
Total comprehensive income for the period	-	(5,580)	(5,580)
Balance at 30 Sep 2016	2,188,645	(2,039,412)	149,233
Balance at 1 Jan 2015	2,188,645	(1,533,331)	655,314
Total comprehensive income for the period	-	(3,895)	(3,895)
Balance at 30 Sep 2015	2,188,645	(1,537,226)	651,419

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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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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 year.**

There was no change in the Company's shares during the period ended 30 September 2016.

- 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>Number of shares</u>
At 30 September 2016 and 31 December 2015	1,401,445,464

There were no shares held as treasury shares as at 30 September 2016 and 31 December 2015.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable, as there were no shares held as treasury shares as at 30 September 2016 and 31 December 2015.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditor.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the new and revised accounting standards which came into effect for the financial year beginning 1 January 2016 and has applied the same accounting policies and methods of computation as those of the previous financial year ended 31 December 2015, save as disclosed below. The adoption of the new and revised accounting standards has no material impact on the financial statements of the Group and the Company for the period ended 30 September 2016. 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.

During the period, the Group re-designated its investment in associate (PT SLJ Global Tbk) as available for sale investment as the Group no longer has significant influence over the associate's financial and operating policies. The investment is being carried at the transaction price agreed in the proposed disposal of the investment as announced on 15 August 2016.

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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.**

Please refer to point 4.

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	3-month ended		9-month ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Weighted average number of ordinary shares for basic earnings per share computation	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Weighted average number of ordinary shares for diluted earnings per share computation	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
Earnings per share attributable to owners of the Company				
Basic and diluted	(74)	(112)	(160)	(194)

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 year.

	Group		Company	
	30/09/2016	31/12/2015	30/09/2016	31/12/2015
Net assets for the period attributable to owners of the Company used in computation of net asset value per share (Rp'million)	(77,252)	144,729	149,233	154,813
Number of ordinary shares at the end of the period	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Net asset value per ordinary share (Rp full amount)	(55)	103	106	110

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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 loss of Rp227 billion in 9M 2016 as compared to Rp272 billion in 9M 2015. The losses for 2016 came mainly from lower sales volume and lower selling prices achieved, higher unit production costs as production volume declined, increased in raw material costs, higher interest expense and one off tax assets written off arising from reorganisation of operations, offsetted by net fair value gain of available for sale investment in PT SLJ Global Tbk

The Group reported a net loss of Rp104 billion in 3Q 2016. Save for savings in general and administrating expenses and lower interest expenses in 3Q 2016, the performance was affected mainly by the same factors as mentioned above.

Revenue

	3-month ended			9-month ended		
	30/09/2016	30/09/2015	Change	30/09/2016	30/09/2015	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Domestic sales	458,912	527,470	(13)	1,557,837	1,561,846	(0)
Export sales	222,609	297,459	(25)	790,519	912,091	(13)
Total	681,521	824,929	(17)	2,348,356	2,473,937	(5)

Our sales decreased by 5% to Rp2,348 billion, amid a slowdown in export sales over the 9 month period. The domestic sales volume and price remained largely flat for the same period ended. In 3Q 2016, our domestic sales volume decreased due to long "Lebaran" holiday, while the export sales was affected by general slowdown in demand. Average selling prices decreased by 6% (9M 2016: 2%) compared to previous periods.

Gross profit

Our gross profit decreased by 51% and 50% in 3Q and 9M 2016 respectively. This was mainly due to higher unit production costs as production volume declined, increased in raw material costs and lower sales achieved.

Other Income

Other income came mainly from:

1. exchange gain of Rp6 billion - the weakening of US dollar has resulted in mainly unrealised foreign exchange gain from translation of our US dollar denominated loans;
2. write-back of allowance for advance to suppliers of Rp1 billion; and
3. fair value gain of available for sale investment in PT SLJ Global Tbk of Rp57 billion – in 2Q 2016, the Group re-designated its investment in this associate as available for sale investment as the Group no longer has significant influence over the associate's financial and operating policies. The investment is being carried at the transaction price agreed in the proposed disposal of the investment as announced on 15 August 2016.

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Selling expenses

In 3Q 2016 and 9M 2016, the decrease in the selling expenses came mainly from the decrease in the freight costs, due mainly to lower export sales. Freight costs decreased by Rp18 billion and Rp19 billion compared to 3Q 2015 and 9M 2015.

General and administration (“G&A”) expenses

Our G&A expenses for 3Q 2016 have decreased over that of previous period. This was due mainly to decrease in staff related costs and other operational costs as the Group is undergoing costs cutting measures. The G&A expenses for the 9 month period ended September 2016 was higher compared to previous period because of higher provision for pension costs.

Finance Expenses

Our finance expenses relate mainly to interest expense. On 9 month period basis, the increase in the interest expense was mainly due to drawdown of additional loans for working capital purposes. In 3Q 2016, we obtained an interest free loan and part of the loan was used to repay our interest bearing loan. As a result, our interest expense reduced in 3Q 2016.

Other expenses

Included in other expenses for 2016 were mainly workers separation expenses (Rp27 billion) and one off VAT receivables written off in 3Q 2016 – Rp13 billion (owing to re-organisation of the Group exercise as announced on 7 October 2016). The other expenses in 2015 came mainly from foreign exchange loss. The Group began its costs cutting exercise in 1Q 2016.

Taxation

Our tax expenses comprise the following:

	3-month ended			9-month ended		
	30/09/2016	30/09/2015	Change	30/09/2016	30/09/2015	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Current income tax:						
- Current income tax	(4,573)	6,261	n.m	(13,490)	(10,647)	27
- Impairment of prepaid taxes	(34,653)	-	n.m	(34,653)	-	n.m
- Under provision of prior periods taxes	-	(3)	(100)	-	(1,388)	(100)
	<u>(39,226)</u>	<u>6,258</u>	<u>n.m</u>	<u>(48,143)</u>	<u>(12,035)</u>	<u>300</u>
Deferred income tax:						
- Current period addition	11,836	(6,028)	n.m	31,473	2,739	1,049
- Impairment during the period	(26,619)	-	n.m	(26,619)	-	n.m
	<u>(14,783)</u>	<u>(6,028)</u>	<u>145</u>	<u>4,854</u>	<u>2,739</u>	<u>77</u>
Total	<u>(54,009)</u>	<u>230</u>	<u>n.m</u>	<u>(43,289)</u>	<u>(9,296)</u>	<u>366</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 and losses of certain subsidiaries not recognised as deferred tax assets due to the uncertainty of its recovery.

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During 3Q 2016, the Group impaired prepaid taxes and deferred tax assets amounted to Rp35 billion and Rp27 billion respectively. The one off impairment was made following the review of the recovery of tax assets as part of the Group re-organisation exercise announced on 7 October 2016.

(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

The Group's property, plant and equipment decreased by Rp54 billion. This was due mainly to depreciation charges incurred during the period more than offset the acquisition of new assets amounted to Rp31 billion.

Investment in available for sales financial assets relates to investment in PT SLJ Global Tbk. The increase is mainly due to reclassification from investment in an associate to available for sale investment in 2Q 2016.

Deferred tax assets increased by Rp5 billion. This came mainly from provision of deferred tax assets from certain loss making subsidiaries.

Other non-current assets decreased by Rp26 billion. This was mainly due to impairment made in prepaid taxes. See paragraph (a) Taxation.

In 3Q 2016, our Group's current assets have decreased by Rp168 billion to Rp843 billion.

The decrease was due mainly to:

- 1) lower trade receivables. This came mainly from lower domestic trade receivables;
- 2) lower inventory level as production volume decreased; and
- 3) decrease in VAT receivables and prepayment of corporate income tax. The decrease in VAT receivables was mainly due to one off VAT receivables written off amounting to Rp13 billion in 3Q 2016 (owing to re-organisation of the Group exercise as announced on 7 October 2016). Prepayment of corporate income tax reduced because of lower taxable income in certain subsidiaries.

As at 30 September 2016, our Group's current liabilities have increased by Rp153 billion to Rp1,193 billion. This contributed mainly by shareholder's loan of Rp65 billion and advance received from sale of investment of Rp20 billion, increase in the short-term borrowings as well as long-term borrowings due within 12 months totaling Rp99 billion, offset by lower trade and other payable as activities slow down.

For the same period ended, the non-current liabilities have decreased by Rp73 billion. This was mainly due to decrease in loans and borrowings - mainly due to foreign exchange translation gain effect and reclassification of loans to current liabilities for loans due within 12 months.

Statement of Cash Flow

During the period, the Group reported cash outflow of Rp44 billion, Rp2 billion, and Rp32 billion from operating, investing and financing activities, respectively. Net cash decreased by Rp79 billion.

Our cash from operations was affected by lower sales and lower gross profit attained as well as re-organisation expenses incurred such as workers separation expenses and post retirement benefits paid.

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Our cash used in the investing activities were mainly for acquisitions of property, plant and equipment, offsetted by advance received from sale of investment in PT SLJ Global Tbk.

Our cash flow in the financing activities relates mainly to net repayment of loans interests. The repayments of bank borrowings and its interests were in accordance with the repayments schedule.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

- 1) The Group has US dollar borrowings, where the risk of foreign exchange fluctuation may materially affect the Group's results (positively or negatively depending on, *inter alia*, the direction of the fluctuation). Although the risk may be mitigated by our US dollar export sales (thus providing the natural hedging to the foreign currency fluctuation exposure), we illustrate below the sensitivity impact of our US dollar borrowings to our net loss arising from the possible change in the US exchange rate, assuming all other variables are held constant with tax rate of 25% in Indonesia:

Indonesia Rupiah to US Dollar exchange rates	(Weakened) / strengthened	Loss after tax for the period Rp227 billion (Increase)/ decrease
<i>Rp'full amount</i>		<i>Rp'million</i>
13,973	(7.5%)	(29,142)
13,648	(5.0%)	(19,428)
13,323	(2.5%)	(9,714)
12,673	2.5%	9,714
12,348	5.0%	19,428
12,023	7.5%	29,142

Our US\$ loans as at 30 September 2016 US\$40 million.

Exchange rate:	<u>Rp/US\$1</u>
- 11 November 2016	Rp13,350
- 30 September 2016	Rp12,998
- 31 December 2015	Rp13,795
- 30 September 2015	Rp14,657

- 2) The current unfavourable business environment continues to affect our profitability and liquidity position. We are experiencing slow-down in the demand of our products and facing tight liquidity situation and our performance will remain challenging in the near future. Our immediate plan is to improve our liquidity position, undertake costs cutting and costs control measures and, improve production efficiency.

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- 3) Among other steps to improve the liquidity, on 15 August 2016 and 9 September 2016, we have announced that the Group is planning to dispose off a non-core asset, PT SLJ Global tbk, and raise funding through right issues. Upon the completion of these transactions, it will allay some of our liquidity pressures. The Group will continue to monitor the situation and undertake to dispose off any non-core assets as necessary.
- 4) Our costs cutting and costs control measures are critical processes to return the Group to profitability and improve its liquidity. We have started to rationalise the workers and staff force requirements and this process is ongoing. In addition, we are in the process of putting in place tighter controls over spending of expenses. We remain cautious of the rising production costs and will take further actions to mitigate the costs pressure and strive to remain competitive.
- 5) Slow down in the Indonesian economy may affect the demand for our products locally. We expect, however, government and private spending on the infrastructure projects in Indonesia will spur the local economy and hence cushion the lower demand. Our export sales may be adversely affected due to weak global economy and depreciation of currencies in certain export markets. We will strive to diversify our markets to reduce such risks.

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 Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend for financial period ended 30 September 2016 has been declared.

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13. Interested person transactions.

The Company does not have a shareholders' mandate under Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited. The following is the aggregate value of all transactions with interested persons for the third quarter ended 30 September 2016:

<i>Name of interested person</i>	<i>Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</i>	<i>Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</i>
	<i>Rp'million</i>	<i>Rp'million</i>
PT Pelayaran Nelly Dwi Putri <i>Freight expenses</i>	4,719	-
PT Sampoerna Land <i>Office rental</i>	3,924	-
PT Wahana Sekar Agro <i>Cooperation for cultivation of trees</i>	343	-
PT Bank Sahabat Sampoerna <i>Interest expenses</i>	2,198	-

Certain Sunarko family members are substantial shareholders of PT Pelayaran Nelly Dwi Putri Tbk (a listed company in Indonesia). They are also substantial shareholders and directors of the Company.

PT Sampoerna Land, PT Wahana Sekar Agro 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 2016 to be false or misleading in any material aspect.

15. Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
11 November 2016