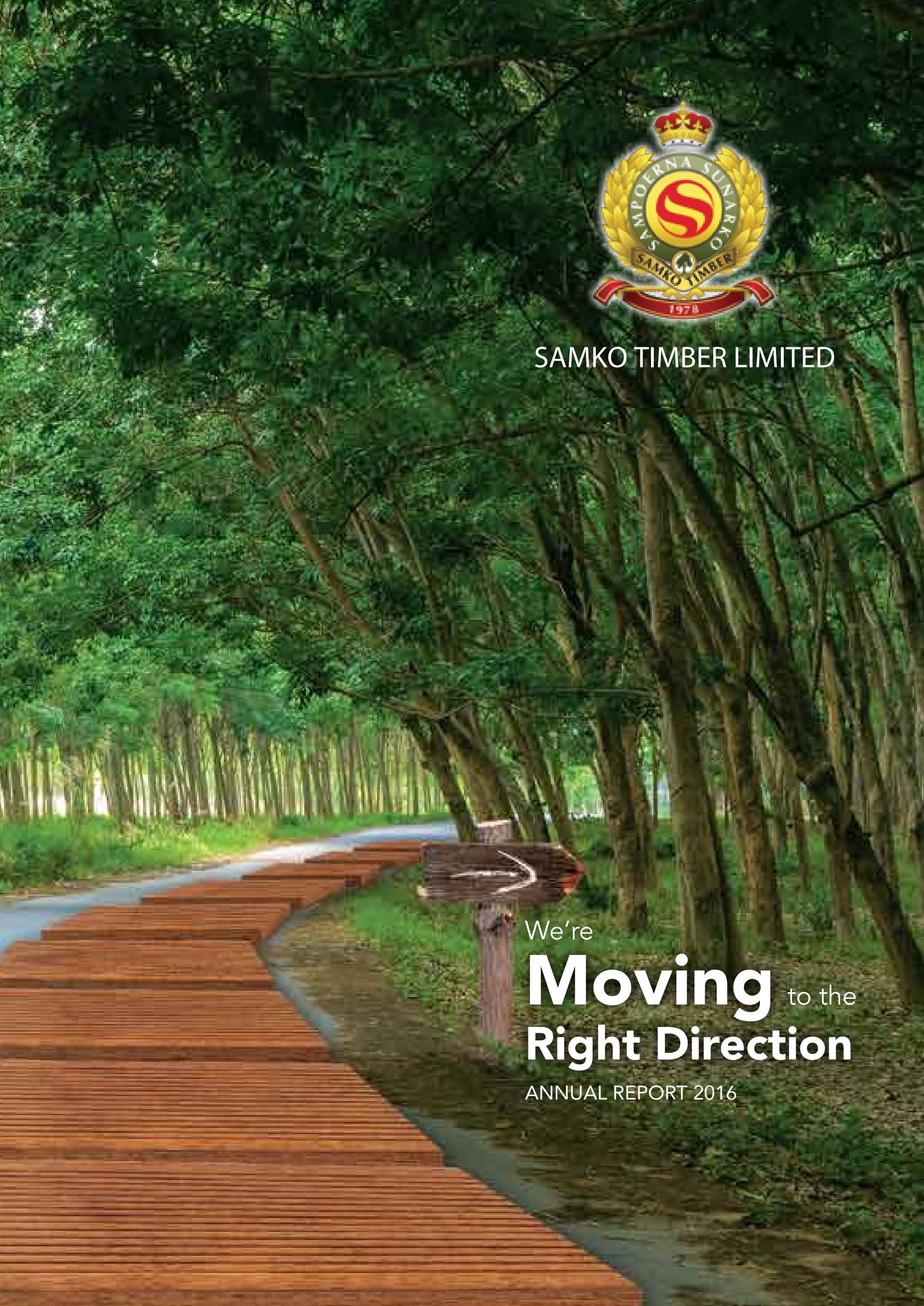


SAMKO TIMBER LIMITED

We're Moving to the Right Direction

ANNUAL REPORT 2016

IN THIS YEAR'S REPORT

COMPANY BACKGROUND

Samko Timber Limited and its subsidiaries ("Samko" or "Samko Timber" or the "Group") is Indonesia's leading, vertically integrated wood resource processor. Supported by 35,659 ha of industrial forest plantation in Sumatra, Samko operates six timber processing plants, ten satellite veneer plants and a chemical glue facility spread across Java, Sumatra and Sulawesi with an annual production capacity of approximately 800,000m^3.

With unrelenting focus on excellence at every stage of its supply chain, Samko has garnered international environmental accreditations as a testament of its long term commitment to quality and sustainability. The Research and Development department is tasked with ongoing process improvement, wood maximisation and product innovation, setting the stage for value creation and growth.

With close to 40 years of experience and industry knowledge condensed into its primary and secondary processed timber products, Samko's products are found in residential, commercial and industrial applications in the form of plywood, wood-decking, wood-doors, wood-flooring, piano and truck parts. Samko's products enjoy a dominant market share in Indonesia, and are distributed in more than 28 countries across the world, including the Asia Pacific region, Europe, the Middle East, and the United States of America.

CHAIRMAN STATEMENT

Dear Shareholders,

2016 continued to be a challenging year for the Group amid global uncertainties due to major events such as Britain's vote to leave the EU and the US presidential election. The effect could be lingering as the outlook for 2017 is clouded by looming European elections and Brexit while Indonesia's economy faces ambiguity surrounding US policies under the new presidency.

Domestically, the Indonesian government has unleashed a series of economic stimulus in 2016 to reinvigorate growth, while the central bank cut the key interest rate six times . As a result, Indonesia's economy for the full year grew 5.02% as compared to 4.88% a year earlier. Nonetheless, Indonesia's GDP in the fourth quarter slowed to 4.94% from 5.01% in the preceding quarter as household consumption cooled and government spending contracted. From Rp13,795, the Rupiah appreciated slightly against the US Dollar to close at Rp13,436 as at 31 December 2016.

The Group's sales decreased by 10.0% year-on-year ("yoy") to Rp3,116.1 billion, amid a slowdown in export sales and domestic sales volume while domestic selling price remained stable. Gross profit declined 24.3% yoy to Rp260.4 million mainly due to higher unit production costs as production volume declined, increased in raw material costs and lower sales achieved. Despite higher interest expense and one off tax assets written off arising from re-organisation of operations, the Group managed to narrow its losses yoy with its cost cutting exercise commencing in early 2016.

Strengthening Financial Position

During the year under review, the Group has embarked on its plan to improve its liquidity and financial position by rationalising its financial and capital resources, strengthening its balance sheet, and divesting non-core asset which is not under its control and allow the Group to focus on its core businesses.

In August 2016, the Board has announced the proposal to dispose its entire stake in PT SLJ Global Tbk ("PT SLJ"), representing approximately 24.63% of the issued share capital of PT SLJ. Upon completion of the transaction, the Group has booked a net gain of approximately Rp95.7 billion from the proposed disposal, which will be utilised to optimise balance sheet leverage as well as to provide on-going working capital support for business growth.

Subsequently in July 2016, the Group has entered into a shareholder's loan agreement with its controlling shareholder, Sampoerna Forestry Limited, in relation to the provision of an unsecured, interest free loan of total US$5 million to the Company.

The Group has also successfully raised a gross proceed of S$34.0 million via Rights Issue to improve its working capital position in December 2016. The fresh capital further strengthened the financial position and capital base of the Group. In connection with the foregoing, the Company plans to commence an organisational rationalisation process to further improve its staffing and costs efficiencies.

Looking Ahead

The outlook of the domestic market for 2017 looks more promising with the rising of commodity prices and the strengthening of household consumption in Indonesia due to higher disposable income per capita, low inflation and a stronger rupiah. Meanwhile, the economic policy packages that have been doled out by the Indonesian government since 2015 and the tax amnesty program launched in 2016 should boost Indonesia's direct investment in the coming years. The Asian Development Bank forecasts that Indonesia's economy will grow 5.1% yoy in 2017 while World Bank projects that Indonesia's economy will accelerate its growth to 5.3% in 2017. The Group expects the government and private spending on infrastructures in Indonesia to stimulate the domestic economy, and hence accelerate demand for our products domestically.

We will continue to streamline our resources and divest investment in non-core assets to strengthen the Group's balance sheet. One of the assets available for sale are factory and land located in Balaraja, Tangerang, West Java. We expect the profitability of the Group to improve going forward following the completion of workforce rationalization in 2016. Nonetheless, the Group remains cautious of the rising production costs and will continue to monitor and manage our cost effectively, while continue to explore opportunities to be more competitive. The Group will also leverage on technology to streamline operations and improve efficiency. We intend to put in place an Enterprise Resources Planning ("ERP") platform which will enable us to assess our operations in real-time and help us strategise better.

Appreciation

On behalf of the Board, I would like to express our sincere thanks to Mr Koh Boon Hong for his vision, determination and leadership. As the founder of the Group, Mr Koh Boon Hong has led the Group since 1978 and the Group has grown and gained remarkable achievements under his stewardship. We would also like to thank Mr Koh Tji Kiong @ Amir Sunarko who has stepped down as Non-Independent and Non-Executive Director on 5 May 2016 for his service. We wish Mr Koh Tji Kiong @ Amir Sunarko all the best in his future endeavours. At the same time, we are pleased to welcome Mr Koh Tji Beng @ Ambran Sunarko on board as our Non-Independent and Non-Executive Director on 5 May 2016.

I would also like to thank our shareholders, staff, business partners and customers for their continuous support as we continue to build a better future.

Aris Sunarko
Executive Chairman


22
22

CEO STATEMENT

Dear Shareholders

The Group continued to be challenged by external and internal factors for the financial year ended 31 December 2016 ("FY2016"). Global economy continued to be volatile with fluctuating oil price, rising international debt, and sluggish GDP growth. The situation was further aggravated by the shock votes in Britain and the US and first rate hike in a year by the Federal Reserve. On the domestic front, market demand was relatively weak for the first half of the year and selling prices failed to recover as anticipated. The situation started to get better during the second half of the year as domestic demand improved although export sales remained soft.

Financial Review

For FY2016, the Group's sales decreased by 10.0% year-on-year ("yoy") to Rp3,116.1 billion, amid a slowdown in export sales and slight decline in domestic sales volume while price remained largely flat for FY2016.

In tandem with the slowdown in sales, the Group's gross profit declined 24.3% to Rp260.4 million. Indonesia's minimum monthly wages increased 14.8% yoy from Rp2.7 million to Rp3.1 million in 2016. As a result of lower sales and higher labour costs, the Group incurred higher unit production costs for FY2016. In addition, shortage in natural log, absence of fuel subsidy and the minimum wage policy further drove up raw material price. Consequently, the Group's gross profit margin declined 1.5 percentage points yoy from 9.9% to 8.4%. The impact to our profitability was partially mitigated by the Group's effort in reducing manufacturing costs by streamlining our workforce and increasing productivity. For the second half of the year, the Group was successful in reducing 25% of its labour costs while maintaining its production outputs.

In the fourth quarter of 2016, the Group has streamlined the Group's organisation and integrated the Go to Market and Operations teams for its Plywood and New Wood business divisions. The integration has created synergies between both business divisions and improves overall efficiency. The simplification of processes will help reduce costs and resources required within the Group in the long run. Nonetheless, the general and administration expenses for the full year remained higher compared to a year ago because of higher provision for pension costs and professional fees incurred for the re-organisation exercise. Other one-off expenses due to the organisational restructuring in 2016 include workers separation expenses and the write-off of VAT receivables amounting to Rp128 billion.

The Group's prudent accounting approach following its restructuring exercise has yielded results with lower provision for doubtful receivables, irrecoverable advances and deferred tax assets for FY2016. During the period under review, the Group made a one-off impairment of assets totaling Rp109 billion in view of deteriorating market conditions. Despite that, along with the foreign exchange gain due to the weakening US Dollar and fair value gain from the sale of PT SLJ Global Tbk ("PT SLJ") which amounted to Rp101.7 billion, the Group was able to narrow its losses yoy to Rp407.4 billion for FY2016.

Outlook & Future Strategies

Market uncertainty remains a challenge due to major political events such as Brexit and the rise of protectionist sentiment globally. While global growth is expected to pick up, global trade will be adversely affected if protectionist approaches become the norm. Furthermore, a slowing China could further weigh on regional growth in 2017. Internally, the Group has identified several measures to address the challenges in the coming year, namely market uncertainty, rising labour cost, and raw material availability.

The Group's success is highly dependent on its ability to fully utilize its production capacity and to sell the products in the markets. The Group intends to further diversify its market to hedge against uncertainty in some existing markets. Therefore, the new Go to Market team is tasked to explore various new market opportunities as well as to identify existing markets with the potential to increase sales. Labour cost is a significant component in our cost of sales and is expected to increase further in the long run due to the implementation of minimum wage policy by the Indonesian government. This has compelled the Group to look into ways to improve productivity and efficiency, such as to automate some of the processes within the existing production line. Over the years the Group has cooperated with landowners and local communities in Java, Sulawesi and Sumatra to increase wood supply from commercially grown forests from rubber, pine and falcataria plantations. At the moment, approximately 85% of the Group's supply comes from the falcataria species and we are now trying to be more efficient in securing our logs supply by engaging farmers directly and providing better transparency to our suppliers.

Going forward, the Group aims to increase sales by penetrating new geographical markets as well as fortifying its position in existing markets. The Group will also strive to maintain the utilisation rate of our production capacity at 90% and above. Along with discipline cost management and various cost reduction initiatives, the Group endeavours to lift its gross profit margins in 2017. The Group will adopt SAP's enterprise application software to manage business operations, inventories and customer relations, which will help to improve the Group's cash conversion cycle. The implementation of SAP's solution will also further streamline our processes and enable us to use live data to predict customer trends. This will help the management make decisions better in the future. Last but not least, the Group will continue with its people engagement initiatives to drive continuous improvement in efficiency and capability.

The Group's war chest will be beefed up with the one-off gain of approximately Rp95.7 billion from the disposal of the PT SLJ and the gross proceed of S$34.0 million raised through rights issuance at the end of last year. This will further strengthen our financial position and set a solid foundation to support the Group's aforementioned initiatives.

Appreciation

I would like to thank our customers and shareholders for their unwavering supports for the past one year. 2017 will be a consolidation year for us as we prepare the platform to take off in the coming years. With the initiatives mentioned above, we are committed to serve our customers better going forward and in return I hope that we will be able to deliver sustainable growth and values for our shareholders.

In closing, I would like to extend my appreciation to the dedication of our Board of Directors, management team, staff and business partners. We seek your continued cooperation and belief in us as we strive to ride out the storm for a better future.

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer

MILESTONE

Established in 1978, Samko Timber has grown steadily through the changing business and political landscapes. The Group started as a downstream processed timber products manufacturer without any upstream plantations and natural forest concessions. The first processing plant began in Sulawesi, producing 12,000 m^3 of plywood annually. Through organic expansion and acquisitions, the Group is now one of the leading wood processing companies in Indonesia, with total production capacity of more than 800,000 m^3 per annum.

1978

- Mr Koh Boon Hong (Hasan Sunarko), Founder of Samko, started business activity in plywood and veneer production

1989

- Acquisition of PT PUPP (PT Panca Usaha Palopo Plywood) shares (processing facilities in Palopo – Sulawesi)

1993

- Acquisition of PT PSUT (PT Putra Sumber Usaha Timber) shares (processing facilities in Jambi – Sumatera)

1999

- Establishment of PT SGS (PT Sumber Graha Sejahtera) (processing facilities in Tangerang – Banten/Jawa Barat)

2002

- Acquisition of PT SLJ Global Tbk (PT Sumalindo Lestari Jaya Tbk) shares

2004

- Establishment of PT SUB (PT Sejahtera Usaha Bersama)

2005

- Establishment of Samko Timber Limited (Holding Company in Singapore)

2006

- Samko Timber Limited take over PT SGS (PT Sumber Graha Sejahtera) shares, the Holding Company in Indonesia
- Sampoerna Forestry Limited acquired 42.6% Samko Timber Limited shares

2008

- Listing of Samko Timber Limited shares in SGX – Singapore (IPO)

2009

- Establishment of Samko Trading Pte. Ltd. (Distribution Company in Singapore)

2010

- Conduction of the First Rights Issue of Samko Timber Limited
- Deconsolidation of PT SLJ Global Tbk through a dilution of our 51.62% shareholding to 31%. SLJ was in a less favorable financial condition and the deconsolidation strengthens Samko's financial position
- Commencement of joint venture between our subsidiary, PT Sumber Graha Sejahtera and PT Wahana Sekar Agro to jointly develop a timber plantation in West Java

2011

- Establishment of Samkowood Products Sdn. Bhd. (Distribution Company in Malaysia)
- Commencement of the development of our own industrial forest plantation in Jambi to sustain our future needs of raw material
- Announcement of proposed acquisition of Bioforest Pte. Ltd. from Temasek Life Sciences. Bioforest Pte. Ltd. is a bio-technology company that focuses in the research and development of high performance tree species for our plantations
- Establishment of Samko USA LLC (Distribution Company in USA)

2012

- Completion of the 100% acquisition of Bioforest Pte. Ltd.
- Completion of the 65% acquisition of PT Cipta Graha Kreasindo ("CGK"). CGK will, on behalf of Samko provide construction and installation services into our products and also provides Samko faster access into the housing market

2013

- Strengthening the capital structure of Samko Trading Pte. Ltd. by way of debt to equity conversion by Samko

2014

- Securing the license and approval from the Minister of Forestry of the Republic of Indonesia for a concession of industrial timber plantation at Central Bangka

2015

- Establishment of PT Nusantara Mitra Sejahtera, a Joint Venture Company between Samko Trading Pte. Ltd. and partner from Japan for Wood Truck Body production

2016

- Appointment of Mr Riko Setyabudhy Handoko, as the new CEO of Samko Timber Limited
- Conduction of Second Rights Issue of Samko Timber Limited, through this rights issue exercise, Sampoerna Forestry Limited has subscribed certain number of new shares issued by Samko Timber Limited, and therefore becoming the holder of approximately 64% shares of Samko Timber Limited
- Disposal of all shares of PT SLJ Global Tbk (PT Sumalindo Lestari Jaya Tbk)

BOARD OF DIRECTORS

Mr Aris Sunarko @ Ko Tji Kim
Executive Chairman

Aged 58, Mr Aris Sunarko @ Ko Tji Kim has served on the Board since December 2005. In June 2016, Mr Sunarko was appointed as the Executive Chairman following his resignation as the CEO of the company. He holds a Bachelor of Science degree from the University of Southern California and spent 13 years as a manager of production facilities in PT Panca Usaha Palopo Plywood. Mr Sunarko was responsible for the Group's initial venture into the production of laminated veneer lumber in 1989, which culminated after the acquisition of PT Putra Sumber Utama Timber in 1993.

Date of first appointment as a director:
26 December 2005

Date of last re-election as a director:
25 April 2014

Present Directorship:
Other Listed Companies
Nil

Other Principal Commitments:

PT Fortuna Sumber Rejeki
President Director

PT Wijaya Triutama Plywood Industry
Commissioner

First Fortuna Holding Pte Ltd
Director

PT Mandiri Sejahtera Jaya Abadi
Commissioner

Past Directorships in listed companies held over the preceding three years:

PT Pelayaran Nelly Dwi Putri Tbk
President Commissioner

Mr Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer

Aged 44, Mr Riko Setyabudhy Handoko has served on the Board since June 2016. He holds a Master of Business Administration from the INSEAD, France and Singapore and Trisakti University Jakarta with a bachelor's degree in economics and accounting from the Trisakti University, Indonesia. Before joining the Group, Mr Handoko worked for Kimberly Clark Corporation in Asia Pacific from 2009. He held several positions with Kimberly Clark Corporation such as Group General Manager Asia and Managing Director for China and India for Kimberly Clark Professional, and Managing Director Taiwan for Kimberly Clark International. Prior to that, Mr Handoko also worked for Asia Pulp and Paper ("APP") and served as Global Tissue BU Director. In that role, he led APP's consumer and professional tissue businesses from 2003-2008.

Date of first appointment as a director:
27 June 2016

Date of last re-election as a director:
Not applicable

Present Directorship:
Other Listed Companies
Nil

Other Principal Commitments:
Nil

Past Directorships in listed companies held over the preceding three years:
Nil

Mr Michael Joseph Sampoerna
Non-Independent and Non-Executive Director

Aged 38, Mr Michael Joseph Sampoerna has served on the Board since August 2007. He possesses extensive Board and management experience, having previously served on the Board of various local and overseas companies, including as President Director of PT H.M. Sampoerna Tbk. Mr Sampoerna studied at Millfield School in Somerset, England then attended London School of Economics focusing on business and finance.

Date of first appointment as a director:
30 August 2007

Date of last re-election as a director:
22 April 2016

Present Directorship:
Other Listed Companies

PT Sampoerna Agro Tbk
President Commissioner

Other Principal Commitments:

PT Sampoerna Strategic
Director

PT Sampoerna Investama
Director

Putera Sampoerna Foundation
Member of the Board of Patrons

PT Arkananta Cahaya Indah
Director

PT Arundaya Surya Timur
Director

PT Cahaya Indah Arundati
Director

PT Kharisma Putra Adwaya
Director

Past Directorships in listed companies held over the preceding three years:
Nil

Mr Eka Dharmajanto Kasih
Non-Independent and Non-Executive Director

Aged 66, Mr Eka Dharmajanto Kasih has served on the Board since April 2006. Prior to joining the Group, he was a Commissioner and a Director of PT H.M. Sampoerna Tbk, and also a Director of Sampoerna International Finance Company, BV. and Sampoerna International Pte Ltd. Mr Kasih holds a bachelor's degree in Economics from the University of Indonesia and has been an adjunct lecturer at the University of Indonesia (Faculty of Economics) since then.

Date of first appointment as a director:
26 April 2006

Date of last re-election as a director:
24 April 2015

Present Directorship:
Other Listed Companies

PT Sampoerna Agro Tbk
President Director

PT Apexindo Pratama Tbk
Independence Commissioner

Other Principal Commitments:
Nil

Past Directorships in listed companies held over the preceding three years:
Nil

BOARD OF DIRECTORS

Mr Koh Tji Beng @ Ambran Sunarko
Non-Independent and Non-Executive Director

Aged 57, Mr Koh Tji Beng @ Ambran Sunarko has served on the Board since May 2016. He holds a bachelor degree from The University of Southern California. Mr Sunarko possesses extensive experience in timber industry. Prior to his appointment as Director of the Company, Mr Sunarko served as the President Director of PT Putra Sumber Utama Timber, a member of the Group which operates in Jambi, Sumatera, and prior to that, he spent seven years at PT Sumber Graha Sejahtera, a member of the Group which operates in Tangerang-Banten, Java, as the President Director.

Date of first appointment as a director:
5 May 2016

Date of last re-election as a director:
Not applicable

Present Directorship:
Nil

Other Principal Commitments:
Premium Plus Investments International Pte Ltd
Director

Past Directorships in listed companies held over the preceding three years:
Nil

Mr Ng Cher Yan
Independent and Non-Executive Director

Aged 58, Mr Ng Cher Yan was appointed to the Board in December 2007. He started his career with an international accounting firm and is currently practicing as a Certified Accountant in PLUSS LLP (formerly known as CY Ng & Co.), which he established in 1990. Mr Ng holds directorships in several companies listed on the Singapore Exchange Trading Securities Limited. Mr Ng holds a Bachelor of Accountancy from the National University of Singapore and is also qualified Chartered Accountant in Australia. Mr Ng is a fellow member of the Institute of Chartered Accountants in Singapore, and a member of the Institute of Chartered Accountants in Australia.

Date of first appointment as a director:
14 December 2007

Date of last re-election as a director:
22 April 2016

Present Directorship:
Vicplas International Ltd
Independent Director
Mermaid Maritime Public Company Ltd
Independent Director
MoneyMax Financial Services Ltd
Independent Director
Bull Will Co. Ltd.
Non Executive Director
Serial System Ltd
Independent Director

Other Principal Commitments:
PLUS LLP
Partner

Past Directorships in listed companies held over the preceding three years:
Ecowise Holdings Ltd
Independent Director

Mr Sim Idrus Munandar
Independent and Non-Executive Director

Aged 62, Mr Sim Idrus Munandar was appointed to the Board in December 2007. Prior to 2005, he was President Director of PT Bina Danatama Finance Tbk, a public-listed company in Indonesia engaged in the financing business. Mr Sim holds a bachelor's degree in Economics from the University of Indonesia, and had been a lecturer at the Sekolah Tinggi Ekonomi (STIE) Jayakarta since 1981 to 2014.

Date of first appointment as a director:
14 December 2007

Date of last re-election as a director:
24 April 2015

Present Directorship:
Other Listed Companies

Kencana Agri Limited
Independent Director

Other Principal Commitments:
Nil

Past Directorships in listed companies held over the preceding three years:
Nil

Mr Wee Ewe Lay Laurence John
Independent and Non-Executive Director

Aged 59, Mr Wee Ewe Lay Laurence John was appointed to the Board in December 2007. He holds a Bachelor of Law (Honours) from the University of Buckingham, and was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in December 1983 and has been in legal practice for more than 33 years. He is currently the Director of Quahe Woo & Palmer LLC where he joined on 1 July 2015. Mr Wee currently also holds directorship appointments in several other Singapore companies, including AL Assets Pte Ltd and Cecilanda Private Limited.

Date of first appointment as a director:
14 December 2007

Date of last re-election as a director:
22 April 2016

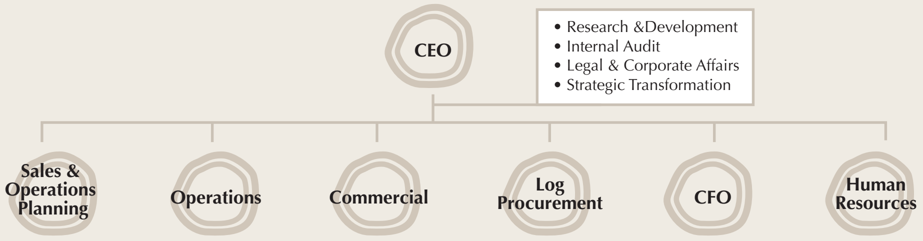
Present Directorship:
Other Listed Companies
Nil

Other Principal Commitments:

Quahe Woo & Palmer LLC
Director

Past Directorships in listed companies held over the preceding three years:
Nil

SENIOR MANAGEMENT



Mr Riko Setyabudhy Handoko is the Executive Director and Chief Executive Officer of Samko Timber Limited. He joined the Group in 2016. Before joining the Group, Mr Handoko worked for Kimberly Clark Corporation in Asia Pacific from 2009. He held several positions with Kimberly Clark Corporation such as Group General Manager Asia and Managing Director for China and India for Kimberly Clark Professional, and Managing Director Taiwan for Kimberly Clark International. Prior to that, Mr Handoko also worked for Asia Pulp and Paper ("APP") and served as Global Tissue BU Director. In that role, he led APP's consumer and professional tissue businesses from 2003 to 2008. Mr Handoko graduated from Trisakti University Jakarta with a bachelor's degree in economics and accounting. He also received his Master of Business Administration from INSEAD in 2002.

Ms Ronawati Wongso joined the Group in 2017 as Chief Financial Officer ("CFO"). She holds a Bachelor of Science in Business Administration degree from the University of Southern California, USA, and a Master of Business Administration degree from the University of Texas, Austin, USA. Ms Wongso possesses extensive experience in Financial and Accounting Management and has more than 20-years experience as CFO. Prior to joining the Group, she served as CFO at Maxpower Group, a leading gas power plant company in Southeast Asia from 2015 to 2017. Prior to this. Ms Wongso has served as Managing Director Finance in PT. Smart Tbk. (Sinarmas Agribusiness), one of the biggest palm oil producer in the world from 2013 to 2014 worked for PT. Wonokoyo Jaya Corporindo, a leading domestic-owned integrated poultry company in Indonesia from 2009 to 2013. She is also CFA charter holder.

Mr Albert Wibisono joined the Group in 2016 and is responsible for the Log Procurement Division. He was with HM Sampoerna, Indonesia's largest tobacco company, for 11 years. There, he served several different roles, from finance and accounting to strategic human resources, as well as head of an affiliate engaging in non-tobacco business. Mr Wibisono also has 10 years of experience in education and management consulting. He holds a BA in Finance from the University of Surabaya, Indonesia, and an Master of Business Aministration from the California State University, Hayward, California, the United States of America.

Mr Harry Handojo joined the group in 1997 and is responsible for the Operations Division. He started to serve the Group at PT Putra Sumber Utama Timber, where he was initially appointed as Project Manager and responsible for the implementation and development of new business plan. Subsequently in 1999, Mr Handojo was promoted to become the General Manager of PT Putra Sumber Usaha Timber, and now he become the General Manager of all the Groups subsidiaries which operate as production plants. He holds a Bachelor of Engineering Degree from the Institute of Technology, Surabaya, Indonesia.

Mr Junaidi joined the Group in 2012 and is responsible for the Sales and Operation Planning Division and the Strategic Transformation Division. He possesses extensive experience in strategy, business development, operational improvement, and marketing. Prior to joining the Group, he was a Principal at Quvat Management Pte Ltd, a leading private equity firm in Southeast Asia, where he also served as Directors in several portfolio companies. Prior to that, Mr Junaidi spent 6 years at The Boston Consulting Group. He holds a Bachelor of Engineering from Bandung Institute of Technology, Indonesia and a Master in Business Administration from Harvard University, United States.

Under the new Senior Management Organization Structure, the Group will be lead by the CEO (ie. Mr Riko Setyabudhy Handoko), who will get direct reporting from ten Senior Managers, namely:

- *Head of Sales & Operation Planning Division : Mr Junaidi*
- *Head of Operations Division : Mr Harry Handojo*
- *Head of Commercial Division : Mr Rudiyanto Tan*
- *Head of Log Procurement Division : Mr Albertus Budyanto Wibisono*
- *Head of Finance & Accounting Division and CFO: Ms Ronawati Wongso*
- *Head of Human Resources Division : Mr Fredson Kotamena*
- *Head of Research & Development Division : Mr Yusran Mustary*
- *Head of Internal Audit Division: Mr Hendry Susanto*
- *Head of Legal & Corporate Affairs Division : Mr Arief Zakaria*
- *Head of Strategic Transformation Division : Mr Junaidi*

Mr Rudiyanto Tan has just joined the Group in 2015 and is responsible for managing Commercial Division. Before joining the Group, Mr Tan was a General Manager in PT Holcim Tbk, one of the largest cement producers in the world. He spent 10 years in Holcim and held various positions across sales and marketing division. Prior to that, He had consulting experience with McKinsey & Company. He holds a Bachelor of Engineering degree from Bandung Institute of Technology, Indonesia and an executive Master of Business Administration from INSEAD and TsingHua University.

Mr Fredson Kotamena joined the Group in 2012 and is responsible for the Human Resources Division. He holds Bachelor of Marine Engineering Degree from Pattimura University, and a Master of Education Degree from Pelita Harapan University, Indonesia. He is HR Professional specialize in Organization Development, People Development & Talent Management with extensive work experiences in Manufacturing and Consumer Distribution business sector at Orang Tua Group, and Natural Resources Industry business sector such as Pulp & Paper, Palm Oil Plantation, and EPC, as well as Airplane and Shipping Management business sector, at Royal Golden Eagle International.

Mr Yusran Mustary joined the Group in 1997 and is responsible to the Research and Development Division. He possesses 22 years of experience in the timber industry. Mr Mustary started his career in PT Wijaya Triutama Plywood Industry in 1998 and left as Manager in 1994. Prior to joining the Group, he was the General Manager of PT Basirih Industrial Corporation from 1994-1997. Mr Mustary holds a Diploma 3 Civil Technical Engineering from Hasanudin University, Ujung Pandang, Indonesia.

Mr Hendry Susanto has just joined the Group in 2016 and is the Head of Internal Audit Division. Before joining the Group, he was a Department Head of Internal Audit in PT Sampoerna Strategic from 2011. Prior to that, He had worked in PT Siemens Indonesia and KPMG. He holds a Bachelor of Accounting degree from Gadjah Mada University, Indonesia.

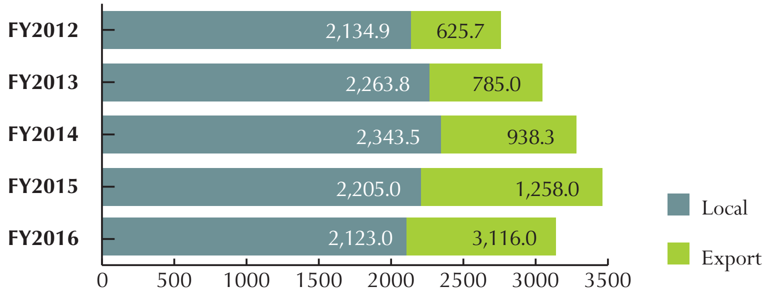
Mr Arief Zakaria joined the Group in 2013 as Head of Legal and Corporate Affairs Division. He holds a Bachelor of Law degree from Parahyangan Catholic University, Bandung, Indonesia, and possesses extensive experiences as professional lawyer for more than 10 years, practicing in general corporate, company acquisition, banking and financing. Before serving the Group, Mr Zakaria was joining respectively Lubis, Ganie, Surowidjojo Law Firm (LGS), and Assegaf Hamzah & Partners Law Firm (AHP), both are one of the largest and leading law firms in Indonesia. Mr Zakaria has also possessed the experiences to serve as head of legal division of PT Bank OCBC Indonesia, and Deputy Notary of the Notary Public of some private foreign joint-venture banks in Indonesia, including, among others, Deutsche Bank AG, Jakarta branch, PT Sanwa Indonesia Bank, PT Bank Societe Generale Indonesia, and PT Bank Credit Lyonnais Indonesia.

FINANCIAL HIGHLIGHTS

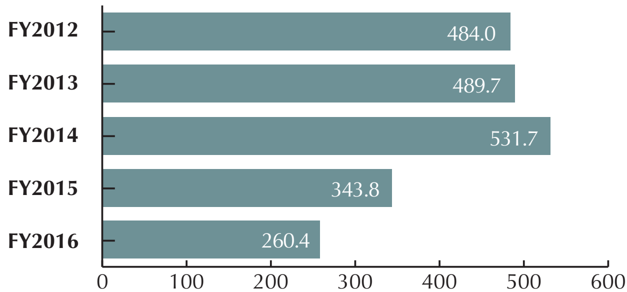
REVENUE
Rp 3,116.1m **-10%**
2015: Rp 3,463.0 m

GROSS PROFIT
Rp 260.4m **-24.3%**
2015: Rp 343.8 m

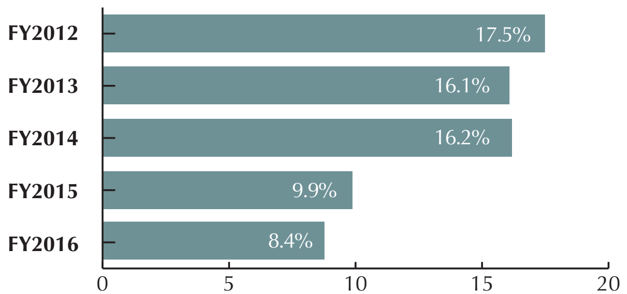
Revenue (Rp 'billion)



Gross Profit (Rp 'billion)



Gross Margin



SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

Sustainable Development ("SD") and Corporate Social Responsibility ("CSR") is an integral business philosophy of Samko. We strongly believe that satisfying present needs without compromising the future with the use of environmental responsible and efficient operational practices and empowering the communities in which we operate in are crucial for the Group's long term success. We have embraced the values of SD and CSR since the early days and embedded them in our Corporate Values and Code of Ethics and its practice permeate every aspect of our day-to-day business. The Group's commitment to strike a balance in business development, social progress and responsible environmental management manifests in the following pragmatic and recognised certifications:

- Japan Agricultural Standard ("JAS")
- Indonesian Timber Legality Assessment System ("TLAS") / SistemVerifikasi Legalitas Kayu ("SVLK")
- ISO9001
- ISO14001
- Verification of Legal Compliance ("VLC") from Rainforest Alliance
- California Airborne Resource Board ("CARB") Phase 2
- Singapore Green Label from Singapore Environment Council
- Corporate member of Green Building Council Indonesia

These certifications enable the Group to build a stronger brand identity and allow us to meet increasing demand for certified processed timber products. For instance, the Indonesia-EU Voluntary Partnership Agreement aims to ensure that timber and timber products exported to the EU come from legal sources. To maintain our consistently high standards, we regularly monitor and aim to achieve ongoing compliance requirements.

Satisfying Present Needs Without Compromising The Future

In the conduct of our business, we are committed to ensure the sustainability of our raw material sources. We are aware of possible environmental impact due to logging and hence we source our raw material mainly from plantation logs or logs which have met the requisite standards adopted by governmental and nongovernmental organizations. Currently, approximately 85% of our logs are sourced from forest plantations, with the remainder obtained from natural forests that have met the requisite operating and technical standards imposed by both governmental and non-governmental organisations.

Apart from sourcing our raw material responsibly, the Group makes every effort to extract the maximum value of wood by reducing wastage and recycling. Our production processes are engineered to reduce wastage, such as increasing usage of smaller diameter plantation logs, maintaining a high recovery rate, and the conversion of wood into higher value products. In addition, most of the wood wastes can be recycled to become good veneers which can be used for the production of plywoods while the remainder can be used as feedstocks for the factories' boilers.

Business With a Conscience

In our bid to protect the environment, the Group has developed a policy of zero burning for land clearing or harvesting for our plantations. The Group practices "the Zero Burning Technique": a method of land clearing whereby the trees, either logged or felled, are shredded, stacked and left on site to decompose naturally. The Group also refrains from procuring logs from any known farmers or suppliers which obtain logs via slash and burn.

The Group truly believes that people are at the core of every business. To build a conducive working environment, the Group provides for the safety, security and positive welfare of employees to the best of our abilities. On the other hand, the Group is committed in supporting community-based activities which are best aligned with our business objectives and benefit the communities within our areas of operations. Every year, the Group demonstrates its dedication to SD and CSR through voluntary involvement in various activities:

- Contributing free seedlings to local communities to foster a green culture
- Offering scholarships to best performing students
- Offering school fees support for low income families
- Contributing to the construction of public facilities, including mosques, churches, health clinics, and roads in the vicinity of our factories
- Contributing funds or parcels of religious offerings to low income families during festive periods such as Ramadan or Hari Raya Idhul Fitri
- Partnership with local communities to reused and recycle wood wastes
- Supporting various social activities conducted surrounding our factories

As a responsible timber processing Group, we are committed to ensure the long term sustainability of the environment, the communities we operate in, and our business venture in a just and ethical manner.

America

Indonesia

Singapore

www.heveatech.com Heveatechid @Heveatech_id

Contact Us

Coral Beach Club

Heveatech®

No other wood comes close

Cimaja Beach Club, Pelabuhan Ratu, Indonesia

HEVEATECH®
GREEN SOLUTION

Rubber tree (*Hevea brasiliensis*) are cultivated for their latex. After the trees reached their useful life, they are chopped down and incinerated. This incinerating process could be dangerous for the environment.

With Heveatech's green solution, we recycle these trees with our cutting-edge technology. Using only environmentally friendly methods, our product is one of a kind, sustainable high quality wood that you can always count on.

APPLICATIONS

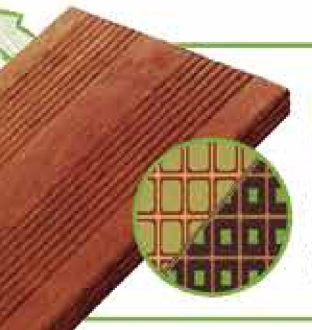
HEVEATECH® is highly versatile and can be used for any part of the construction.

1. Decking
2. Beam
3. Flooring
4. Facade
5. Pergola
6. Door
7. Decktile
8. Staircase
9. Railing
10. Outdoor Furnitures

For more projects, please visit:
www.heveatech.com

Sustainable Resources

By peeling logs into veneers we are able to maximize output, greatly reducing waste. Dry-pressing the veneers together allows us to freely size and customize our products. This makes Heveatech a greener choice.



Impregnation Technology

By applying a thorough treatment, Heveatech achieves a higher density and gains resistance to insects and extreme weathering.

WHY CHOOSE HEVEATECH®

- Eco Friendly
- Insect Resistant
- Dimension Stability
- Superior Durability
- Easy Maintenance
- 100% Real Wood
- Easy Installation
- High Quality

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive:
Aris Sunarko @ Ko Tji Kim
(Executive Chairman)
(appointed on 27 June 2016)

Riko Setyabudhy Handoko
(Chief Executive Officer)
(appointed on 27 June 2016)

Non-Executive:
Michael Joseph Sampoerna
(Non-Independent)
Eka Dharmajanto Kasih
(Non-Independent)
Mr Koh Tji Beng
@ Ambran Sunarko
(Non-Independent)
(appointed on 5 May 2016)
Ng Cher Yan
(Lead Independent)
Sim Idrus Munandar
(Independent)
Wee Ewe Lay Laurence John
(Independent)

AUDIT COMMITTEE
Ng Cher Yan *(Chairman)*
Sim Idrus Munandar
Wee Ewe Lay Laurence John

NOMINATING COMMITTEE
Sim Idrus Munandar *(Chairman)*
Ng Cher Yan
Wee Ewe Lay Laurence John

REMUNERATION COMMITTEE
Wee Ewe Lay Laurence John *(Chairman)*
Ng Cher Yan
Sim Idrus Munandar

BOARD RISK COMMITTEE
Sim Idrus Munandar *(Chairman)*
Aris Sunarko @ Ko Tji Kim
Riko Setyabudhy Handoko
Ng Cher Yan
Ronawati Wongso

SECRETARIES
Lai Kuan Loong Victor
(appointed on 17 June 2016)
Kelly Kiar Lee Noi

REGISTERED OFFICE
7500A Beach Road
#08-305/307 The Plaza
Singapore 199591
Tel: 6298 2189
Fax: 6298 2187

SHARE REGISTRAR / SHARE TRANSFER AGENT
Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: 6536 5355
Fax: 6536 1360

AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

AUDIT PARTNER-IN-CHARGE
Jonathan Tan Po Hsiong
(Appointed since the financial year ended 31 December 2016)

INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of Samko Timber Limited (the "**Company**") is committed to setting and maintaining high standard of corporate governance to ensure greater corporate transparency, accountability, performance and integrity. The Company has substantially complied with the Code of Corporate Governance 2012 (the "**Code**") through effective selfregulatory corporate practices to protect and enhance the interests and value of its shareholders.

This report describes the Company's corporate governance practices with specific reference to the Code in its Annual Report. Unless otherwise stated, the principles and guidelines of the Code have been complied with.

I. BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Effective Board to lead and control the Company

The Board oversees the business affairs of the Company and its subsidiaries (collectively the "**Group**") and is responsible for setting the strategic direction of the Group establishing goals for management team of the Company ("**Management**"). In addition, the Board works with Management to achieve these goals set for the Group. To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its committees (the "**Board Committees**") and Management. The Board Committees and Management remain accountable to the Board.

Apart from the statutory responsibilities, the Board is responsible for the overall management of the Group and the review and monitoring of the Group's operations, including:
- The review of the Group's financial performance;
- The approval of the nomination/appointment of Directors and key management personnel;
- The review and approval of annual budgets, major funding proposals, potential investment and divestment proposals, including material capital investments;
- Responsibility for corporate governance; and
- To ensure that the Group maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets.

The following matters are specifically reserved for the Board's decision and approval:
- Financial results announcements;
- Annual Reports and financial statements;
- Corporate strategies and financial restructuring; and
- Major investment or acquisition/disposal proposals, including any other transactions of a material nature requiring announcements under the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The Board is supported by four Board Committees, namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Board Risk Committee ("**BRC**"). Each Board Committee has its own specific Terms of Reference or Charter setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken. The Chairman of the respective Board Committee will report to the Board on the outcome of the committee meetings and their recommendations on the specific agendas mandated to the committee by the Board.

The Board is free to request for further clarification and information from Management on all matters within their purview. The schedule of all the Board Committees' meetings for the financial year is usually given to all the Directors well in advance. The Board conducts at least four meetings on a quarterly basis to review the Group's financial results and where necessary, additional Board meetings are held to address significant issues or transactions.

During the financial year ended 31 December 2016 ("**FY2016**"), the Board met four times to review the Company's quarterly and full-year results and to consider proposed corporate actions by the Company. Ad-hoc meetings are held to address significant issues or transactions. The Company's Constitution allow a Board meeting to be conducted by way of a telephone conference and/or by means of similar communication equipment where all Directors participating in the meeting are able to hear each other. Decision of the Board and Board Committees may also be obtained through circular resolutions.

The number of meetings held by the Board and Board Committees and attendances of Directors at the meetings during FY2016 are set out as follows:

		Board Committees			
	Board	Audit Committee	Nominating Committee	Remuneration Committee	Board Risk Committee
No. of meetings held	4	4	2	1	4
Name of Director	No. of meetings attended				
Koh Boon Hong[(1)]	1	-	-	-	-
Aris Sunarko @ Ko Tji Kim	4	4*	1*	1*	4
Michael Joseph Sampoerna	3	-	-	-	1*
Eka Dharmajanto Kasih	4	-	-	-	1*
Koh Tji Kiong @ Amir Sunarko[(2)]	2	-	-	-	-
Riko Setyabudhy Handoko[(3)]	2	2*	-	-	2*
Koh Tji Beng @ Ambran Sunarko[(4)]	2	-	-	-	1*
Ng Cher Yan	4	4	2	1	4
Sim Idrus Munandar	4	4	2	1	4
Wee Ewe Lay Laurence John	4	4	2	1	4*

* Attendance by invitation of the relevant Board Committees

(1) Ceased on 22 April 2016
(2) Ceased on 5 May 2016
(3) Appointed on 27 June 2016
(4) Appointed on 5 May 2016

The Board is of the view that the contribution of each Director should not be focused only on his attendance at meetings of the Board and/or Board Committees. A Director's contribution may also extend beyond the confines of the formal environment of such meetings, through the sharing of views, advices, experiences and strategic networking relationships which would further the interests of the Company.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Under the guidelines, all new investments, any increase in investment in businesses and subsidiaries, and any divestments by any of the Group's companies, and all commitments to term loans and lines of credit from banks and financial institutions by the Company require the approval of the Board.

Generally, a formal letter of appointment is provided to the newly appointed Directors setting out their duties and obligation as a Director in respect of potential conflicts of interest, their interested person transactions and disclosure of Director's interests.

The Board recognises the importance of appropriate orientation training and continuing education for its Directors. All the Directors are encouraged to attend seminars, conferences or any courses in connection to new laws, regulations and risk management (including management of commercial, financial, operational and compliance risks) conducted by professional bodies, including active participation in the Singapore Institute of Directors.

Where required, the Company Secretaries and external professionals bring to the Directors' attention relevant updates in the industry and changes in accounting standards and regulations.

Newly appointed Directors are given orientation briefings by Management on the business activities of the Group and its strategic directions, so as to familiaris them with the Group's operations and encourage effective participation in Board's discussions. All Directors are updated on major milestones of the Group.

BOARD COMPOSITION AND BALANCE

Principle 2: Strong and independent element on the Board

The Board consists of eight Directors, six of whom are Non-Executive Directors of which three are Independent Directors:

Executive Directors:	
Aris Sunarko @ Ko Tji Kim	Executive Chairman ("**Chairman**") *(appointed on 27 June 2016)*
Riko Setyabudhy Handoko	Chief Executive Officer ("**CEO**") *(appointed on 27 June 2016)*
Non-Executive Directors:	
Michael Joseph Sampoerna	
Eka Dharmajanto Kasih	
Koh Tji Beng @ Ambran Sunarko	(appointed on 5 May 2016)
Independent Directors:	
Ng Cher Yan	Lead Independent Director
Sim Idrus Munandar	
Wee Ewe Lay Laurence John	

During FY2016, Mr Aris Sunarko @ Ko Tji Kim remained as an Executive Director and a member of the BRC of the Company following his resignation as the CEO of the Company. In June 2016, he was appointed as the Executive Chairman of the Company. At the same time, Mr Riko Setyabudhy Handoko, who had replaced Mr Aris Sunarko @ Ko Tji Kim, effectively assumed his duties and responsibilities as the CEO of the Company overseeing the Group's business and reporting to the Board.

The profiles of the Directors are set out on pages 10 to 13 of this Annual Report. The Directors of the Company come from diverse backgrounds and possess core competencies, qualifications and skills, all of whom as a group, provides the Board with a good mix of the necessary experience and expertise to direct and lead the Group. Their combined wealth and diversity of experience enable them to contribute effectively to the strategic growth and governance of the Group. The Board is of the view that the current Board size and composition is appropriate, taking into account the scope, nature and size of operations of the Group.

The Board noted that the Company is required to comply with the requirement for Independent Directors to make up at least half of the Board, and is in the midst of making arrangements to change the Board composition.

In addition, the Company benefited from Management's ready access to its Directors for guidance and exchange of views both within and outside of the formal environment of the Board and Board Committees meetings. The NC conducted its annual review of the Directors' independence in accordance with the Code's definition of what constitutes an Independent Director. In its deliberation as to the independence of a Director, the NC take into consideration whether a Director has any business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement. The Independent Directors constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

Though our Independent Directors have served on the Board for more than nine years from the date of their first appointment, the Board concurred with the NC's view that they are independent in character and judgment and there were no circumstances which would likely affect or appear to affect their judgment. While recognizing the benefits of the experience and stability brought by long-standing Directors, the Board remains committed to the progressive renewal of Board membership. The Independent Directors meet amongst themselves without the presence of Management when necessary.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Clear division of responsibilities and balance of power and authority

Different individuals assumed the Chairman's and the CEO's roles and the division of responsibilities between the Chairman and the CEO have been clearly established:

(a) To maintain effective supervision and ensure a balance of power and authority; and

(b) To ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The roles and responsibilities between the Chairman and the CEO are held by separate individuals. Mr Aris Sunarko @ Ko Tji Kim is our Chairman and Mr Riko Setyabudhy Handoko is our CEO.

The Chairman, Mr Aris Sunarko @ Ko Tji Kim, brings with him a wealth of experience, leads the Board and bears responsibility for the working of the Board. Mr Aris ensures that the Board receives accurate, timely and clear information and that the Board meetings are held as and when necessary, and sets agenda of the Board meetings in consultation with the other Directors and Management. He assists in ensuring compliance with the Group's guidelines on corporate governance and facilitating the effective contribution of Non-Executive Directors.

The CEO, Mr Riko Setyabudhy Handoko, is responsible for the day-to-day operations of the Group and steering the strategic direction and growth of the Group's business. Mr Riko regularly communicates with the Chairman and the Board to update them on corporate issues and developments.

The Lead Independent Director, Mr Ng Cher Yan, is responsible for leading and coordinating the activities of the Non-Executive and Independent Directors and serve as a principal liaison on Board's issues between the Non-Executive and Independent Directors and the Chairman of the Board. The Lead Independent Director is available to shareholders who have concerns for which contact through the normal channels of the Chairman, CEO, Executive Directors or Chief Financial Officer ("**CFO**") have failed to resolve or for which such contact is inappropriate.

Objectivity and independence of the Board's decisions are maintained through the professionalism of each member of the Board, including the Non-Executive and Independent Directors, who have demonstrated a high level of commitment in their roles as Directors of the Company.

During FY2016, the Independent Directors have met unofficially at least once to discuss the Company's matters without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Chairman after such meetings.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board

The NC comprises the following three members, all of whom are Non-Executive and Independent Directors:

Sim Idrus Munandar	Chairman
Ng Cher Yan	Member
Wee Ewe Lay Laurence John	Member

The NC Chairman is not associated in any way with the 10% shareholders of the Company.

The NC is regulated by a set of written Terms of Reference and is responsible for making recommendations to the Board on all Board appointments and reappointments through a formal and transparent process, which includes internal guidelines to address the conflict of competing time commitments that are faced by Directors with multiple board representations. In respect of re-nominations, the NC will consider the individual Director's contribution and performance and whether the Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations.

The responsibilities and principal functions of the NC, as set out in its Terms of Reference, include:

(a) Reviewing Board succession plans for Directors, in particular, the Chairman and the CEO;

(b) Conducting a formal assessment on the effectiveness of the Board as a whole and to assess the contribution by each individual Director to the effectiveness of the Board, particularly when a Director serves on multiple Boards;

(c) Reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment and re-appointment of Directors;

(d) Reviewing and recommending to the Board the retirement or re-election of Directors in accordance with the Constitution of the Company at each annual general meeting ("**AGM**");

(e) Reviewing the structure, size and composition of the Board annually to ensure that the Board has an appropriate balance of independent and non independent Directors and ensuring an appropriate balance of expertise, skills, attributes and ability among the Directors;

(f) Establishing procedures for evaluation of the performance of the Board, it's Board Committees and Directors, and proposes objective performance criteria which shall be approved by the Board;

(g) Determining annually the independence of Directors, in accordance with applicable codes and guidelines; and

(h) Deciding whether the Directors have been and will continue to contribute effectively and demonstrate commitment to their roles and duties as a Director of the Company adequately, taking into consideration each Director's number of listed company board representations and other principal commitments.

In accordance with Article 94 of the Company's Constitution, every Director shall retire from office once every three years and at each AGM, one-third of the Directors shall retire from office by rotation. In addition, Article 95 provides that the retiring Directors are eligible to offer themselves for re-election and Article 100 provides that all newly appointed Directors shall hold office only until the next AGM and are eligible to offer themselves for re-election.

For FY2016, the NC had met to:

(a) Assess and review the Board size and competency mix;

(b) Assess and evaluate effectiveness of the Board and the Board's performance as a whole;

(c) Assess and review the independence of each Independent Director, including those with multiple directorships in other companies; and

(d) Review and recommend the re-election of Directors retiring pursuant to the Company's Constitution.

The retiring Directors at the forthcoming AGM of the Company are Messrs Aris Sunarko @ Ko Tji Kim and Eka Dharmajanto Kasih who will retire pursuant to Article 94 of the Company's Constitution and Messrs Riko Setyabudhy Handoko and Koh Tji Beng @ Ambran Sunarko who will retire pursuant to Article 100 of the Company's Constitution.

The Company has received notice from Mr Aris Sunarko @ Ko Tji Kim that he would not be seeking re-election and would retire at the forthcoming AGM of the Company. The Board has accepted his retirement as the Executive Chairman and Executive Director of the Company at the forthcoming AGM. Upon his retirement, Mr Aris will cease as a member of the Board Risk Committee of the Company.

The NC has reviewed the independence of Messrs Ng Cher Yan, Wee Ewe Lay Laurence John and Sim Idrus Munandar, and is satisfied that there are no relationships which would deem any of them not to be independent. In reviewing the independence, the NC has considered the relationships identified by the Code and additionally, the Independent Directors are also independent of the substantial shareholders of the Company.

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. Based on the individual Director's confirmation to the NC on his ability to carry out his duties as a Director of the Company and to address any competing time commitments that may arise, the NC believes that it would not be necessary to put a maximum limit on the number of listed company board representations of each Director.

The NC has evaluated the competing time commitments faced by Directors serving on multiple boards during the year and is satisfied that the Directors have spent adequate time on the Group's affairs to fulfil their responsibilities.

Currently, the Company does not have alternate directors.

When the need for a new Director is identified, either to replace a retiring Director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competences and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitas, for consideration.

Information in respect of the academic and professional qualification, and directorship or chairmanship, both present and those held over the preceding three years in other listed companies, is set out in the "Board of Directors" section of the Annual Report. In addition, information on shareholdings in the Company and its related companies held by each Director is set out in the "Directors' Statement" section of the Annual Report.

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board

The NC, guided by its Terms of Reference, had decided on how the Board's performance is to be evaluated and has developed objective performance criteria, which address how the Board has enhanced long-term shareholders' value. The NC has also implemented a process for assessing the effectiveness of the Board as a whole.

The NC had decided unanimously, that the Directors will not be evaluated individually but factors taken into consideration for the renomination are the extent of their attendance, participation and contributions in the proceeding of the meetings. The NC had also concurred that it was difficult to evaluate the performance of each Board Committee given that members of majority of the Board Committees comprise only Independent Directors. As such, no assessment was carried out for each individual Director and Board Committee for FY2016. The NC will consider implementing such performance evaluation of each Director and Board Committee when the need arises.

The Board has not engaged any external consultant to conduct an assessment of the performance of the Board. Where relevant and when the need arise, the NC will consider such as engagement.

The evaluation of the Board's performance is carried out on an annual basis, and the performance criteria for the Board evaluation covers amongst other criteria, Board composition, Board processes, Board accountability, CEO performance and succession planning and standard of conduct of the Board. Each Director assesses the Board's performance as a whole by providing feedback to the NC.

The NC is of the view that each individual Director has contributed to the effectiveness of the Board as a whole. During FY2016, the NC has conducted the assessment by preparing a performance evaluation questionnaire to be completed by each Director, of which were then collated and the findings were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The results of the NC's assessment for FY2016 has been communicated to and accepted by the Board.

The NC reviewed the mix of skills and experiences of the Directors that the Board requires to function competently and efficiently in achieving the Group' strategic objectives. When reviewing the Board's performance for FY2016, the NC is satisfied that the Board has a good mix of skills and expertise to meet the needs of the Group and noted the following points:

(a) Feedback received from the Directors and acted on their comments accordingly; and

(b) Individual Director's attendance at meetings of the Board, Board Committees and general meetings, individual Director's functional expertise and his commitment of time to the Company.

The Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company.

ACCESS TO INFORMATION

Principle 6: Board members should be provided with complete, adequate and timely information

To enable the Board to function effectively and to fulfil its responsibilities, Management recognises its obligation to supply the Board and the Board Committees with complete, adequate information in a timely manner. In addition, all relevant information on the Group's annual budgets, financial statements, material events and transactions complete with background and explanations are circulated to Directors as and when they arise. A system of communication between Management and the Board has been established and will improve over time.

Each Director has been provided with the up-to-date contact particulars of the Company's key management personnel and the Company Secretaries to facilitate access to any required information. The Company Secretaries attends all meetings of the Board and the Board Committees and are responsible in ensuring that Board procedures and all other rules and regulations applicable to the Company are complied with. The appointment and removal of the Company Secretaries are subject to approval of the Board as a whole.

In furtherance of their duties, the Directors, individually or as a group, may seek independent professional advice on matters relating to the businesses of the Group, at the Company's expense, subject to approval by the Board.

II. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: ***Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors***

The RC comprises the following three members, all of whom are Non-Executive and Independent Directors:

Wee Ewe Lay Laurence John	Chairman
Ng Cher Yan	Member
Sim Idrus Munandar	Member

The RC is regulated by a set of written Terms of Reference. Its key functions include:

(a) Reviewing and recommending to the Board a framework of remuneration for each Director and key management personnel that are competitive and sufficient to attract, retain and motivate key management personnel of the required quality to run the Company successfully;

(b) Reviewing and determining specific remuneration packages and terms of employment for each Director and key management personnel, which cover all aspect of remuneration including Directors' fees, salaries, allowances, bonuses and benefits-in-kind;

(c) Determining the appropriateness of the remuneration of the Independent Directors takings into consideration the level of their contribution; and

(d) Reviewing and recommending to the Board the terms of renewal of the service contracts of Directors.

For FY2016, the RC had met to review, determine, and recommend to the Board:

(a) A framework of remuneration and the specific remuneration packages and terms of employment for each Director and key management personnel, to ensure that Directors are adequately but not excessively remunerated; and

(b) The payment of Directors' fees for the financial year ending 31 December 2017, payable quarterly in arrears, which are subject to the shareholders' approval at the forthcoming AGM of the Company.

The RC also considered, in consultation with the CEO, amongst other things, their responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain the best available executive talent.

The recommendations of the RC would be submitted to the Board for endorsement. The RC has full authority to engage any external professional to advise on matters relating to remunerations as and when the need arises.

No individual Director is involved in fixing his own remuneration. Independent Directors are paid Directors' fees annually on a standard fee basis.

Each member of the RC abstains from making any recommendation on or voting on any resolutions in respect of his own remuneration package, except for providing information and documents specifically requested by the RC to assist it in its deliberations.

The RC reviews the terms and conditions of service agreements of the CEO before their execution. In the course of such review, the RC will consider the Group's obligations arising in the event of termination of Executive Director and key management personnel, to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

Principle 8: Level of remuneration of Directors should be appropriate but not excessive

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the CEO and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board.

Currently, the Company does not have any long-term incentive schemes.

Directors' fees are set in accordance with a remuneration framework based on the level of responsibility and scope of work. The CEO does not receive any Directors' fee, whilst the Non-Executive Directors are paid Directors' fees in accordance with their level of contributions, taking into account factors such as efforts and time spent, as well as responsibilities and obligations of the Directors. Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company. The Board has endorsed the remuneration framework.

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from the CEO and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The CEO owes a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the CEO in the event of such breach of fiduciary duties.

The service agreement entered into with the CEO is effective from 27 June 2016 and will continue for a period of three years, which shall be renewable automatically every three years, such renewal being subject to the confirmation of the Board. None of the Non-Executive Directors is on a service contract with the Company.

DISCLOSURE ON REMUNERATION

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The Board has not included a separate annual remuneration report to shareholders in the Annual Report on the remuneration of Directors and the top five key management personnel (who are not also Directors or the CEO) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this report and in the financial statements of the Company.

During the financial year, there were no termination, retirement and postemployment benefits granted to Directors (including the CEO) and the top five key management personnel (who are not Directors or the CEO) of the Company and the Group.

The remuneration of each individual Director and key management personnel of the Group is disclosed in bands of S$250,000 with a breakdown of the components in percentage. The total remuneration of each individual Director and key management personnel is however not disclosed as the Company believes that such disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in. The RC has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

A breakdown of the level and mix of the remuneration payable to each individual Director for FY2016 are set out below:

Name of Director	Remuneration Band S$	Salary %	Director Fees %	Performance Based Bonuses %	Others Benefits %	Total %
Riko Setyabudhy Handoko[1]	$750,000 and <$1,000,000	37.1	-	-	62.9*	100
Aris Sunarko @ Ko Tji Kim	$250,000 and <$500,000	97.6	-	-	2.4	100
Michael Joseph Sampoerna	<$250,000	-	100	-	-	100
Eka Dharmajanto Kasih	<$250,000	-	100	-	-	100
Koh Tji Kiong @ Amir Sunarko[2]	<$250,000	-	100	-	-	100
Koh Tji Beng @ Ambran Sunarko[3]	<$250,000	-	100	-	-	100
Ng Cher Yan	<$250,000	-	100	-	-	100
Sim Idrus Munandar	<$250,000	-	100	-	-	100
Wee Ewe Lay Laurence John	<$250,000	-	100	-	-	100

* Also includes sign-on bonus.
(1) Appointed on 27 June 2016
(2) Ceased on 5 May 2016
(3) Appointed on 5 May 2016

Remuneration of Key Management Personnel (who are not Directors or the CEO)

A breakdown of the ranges of gross remuneration paid in FY2016 to the Group's key management personnel (who are not Directors or the CEO) in the Company and in the Group's subsidiaries, excluding any associated companies, are set out below:

Name of Key Management Personnel	Remuneration Band S$	Salary %	Performance Based Bonuses %	Other Benefits %	Total %
Sujoko Martin(1)	$250,000 and <$500,000	93.8	-	6.2	100
Iwan Lee(2)	<$250,000	99.5	-	0.5	100
Wihartono(3)	<$250,000	99.5	-	0.5	100
Harry Handojo	<$250,000	99.5	-	0.5	100
Yusran Mustary	<$250,000	99.5	-	0.5	100
The Victor Diputra(4)	<$250,000	98.9	-	1.1	100
Trenggono Purwosuprodjo(5)	<$250,000	100	-	-	100

(1) Ceased on 28 February 2017
(2) Ceased on 22 November 2016
(3) Ceased on 1 February 2017
(4) Ceased on 1 February 2017
(5) Ceased on 1 March 2017

The total remuneration paid to the Directors and the key management personnel is set out on page 111 of this Annual Report.

There are no employees who are immediate family members of any of the Directors and/or the CEO whose remuneration exceeded S$50,000 for FY2016. No remuneration or compensation was paid or is to be paid in the form of share options, since the Company does not currently have any plan to implement share option or share incentive plans. However this does not rule out the possibility of the Company doing so in the future.

The Company advocates a performance-based remuneration system for Executive Director and key management personnel that is flexible and responsive to the market, comprises primarily a basic salary component, an annual supplement equivalent to one month basic salary during each Muslim Hari Raya month and a variable component which is inclusive of bonuses and other benefits based on the Group's performance and the individual's performance such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

III. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: Presentation of a balanced and understandable assessment of the Company's performance, position and prospects

The Board recognises that it is accountable to shareholders for the performance of the Group. In discharging this responsibility, the Board ensures the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, financial position and prospects.

To assist the Board in discharging its responsibility, the Company has established a system whereby business and finance heads of individual subsidiaries and business units provide written representations, to Management who would in turn furnish an overall representation to the AC and the Board confirming, *inter alia*, the integrity of the Group's financial statements.

The Board takes steps to ensure compliance with legislative and regulatory requirements with all of the Group's operational practices and procedures and relevant regulatory requirements.

Management keeps the Board regularly updated on the Group's business activities and financial performance by providing operations reports on a regular basis. Such reports include information on:

- The Group's actual performance against the approved budget and where appropriate, against forecast; and

- Key business indicators and major issues that are relevant to the Group's performance.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: Sound system of risk management and internal controls

The Board is responsible for the governance of risk and sets the direction for the Group in the way risks are managed in the Group's businesses. The Board believes in the importance of maintaining a sound system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems to safeguard the interests of the shareholders and the Group's assets. To achieve this, internal reviews are constantly being undertaken to ensure that the system of internal controls maintained by the Group is sufficient to provide reasonable assurance that the Group's assets are safeguarded against loss from unauthorised use or disposition, transactions are properly authorised and proper financial records are being maintained.

The Board had established a BRC to assist the Board to ensure that the Group maintains a robust and effective system of internal controls and to evaluate the adequacy of the Group's internal controls that address the Group's financial, operational, compliance and information technology controls, and risk management systems.

The BRC comprises the following five members, two of whom, including the Chairman, are Non-Executive and Independent Directors:

Sim Idrus Munandar	Chairman
Aris Sunarko @ Ko Tji Kim	Member
Riko Setyabudhy Handoko	Member
Ng Cher Yan	Member
Ronawati Wongso	Member

As at the date of this report, the composition of the BRC has been changed as follows:

(i) For effective governance of risk and efficient oversight for risk management activities, the CEO, Mr Riko Setyabudhy Handoko, has been appointed as a member of the BRC on 17 November 2016;

(ii) Mr Sim Idrus Munandar, the existing member of the BRC, was designated as the Chairman of the BRC following the retirement of Mr Trenggono Purwosuprodjo as the Chairman of the BRC on 1 March 2017; and

(iii) Ms Ronawati Wongso, the newly appointed CFO and Head of Finance and Accounting of the Company, was appointed as a member of the BRC on 1 March 2017 following the resignation of Mr Sujoko Martin as the CFO and Head of Finance and Accounting of the Company on 28 February 2017.

The BRC had adopted a set of written Charter defining its membership and its duties and responsibilities, which include:

(a) Monitoring of all material enterprise risks within the framework of enterprise risk management as approved by the Board. The BRC recognises that there are responsibilities delegated by the Board to its Board Committees and understands that the Board Committees may emphasise specific risk monitoring through their respective activities;

(b) Reviewing and discussing with Management the Company's risk assessment and risk management practices and related guidelines, policies and processes, as well as the adequacy of resources to perform its risk management responsibilities under the risk governance;

(c) Reviewing and discussing with Management the Company's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risks, market risk, operational risk, compliance risk and information technology risk, as well as the guidelines, policies and processes for their control, monitor and mitigating actions;

(d) Overseeing the standards in relation to risk tolerances adopted by the Company. The standards will be reviewed annually to take into account changes in the internal and external environments as well as reports of the AC and findings from the internal auditors;

(e) Meeting with the Chairman and/or other members of the Board Committees to discuss the Company's corporate risk management framework and internal control areas;

(f) Reviewing and recommending to the Board the approval of any major transactions or decisions affecting the Company's risk profile or exposure (if any); and

(g) Reporting to the Board regarding the BRC's regular findings and recommendations, including any major transactions covered by the BRC at each BRC meeting, and providing additional reports to the Board as the BRC may determine appropriate.

The BRC met four times during FY2016 to review the enterprise risk management which focused on the operational, financial, compliance and information technology aspects of the Group. The Chairman of the BRC had reported the findings and recommendations to the Board during the Board meetings.

The BRC has reviewed the Group's financial controls and risk management policies and processes, and based on its assessment and reports of the external auditors and internal auditors, the BRC is assured that adequate and effective internal controls are in place.

As for the operational and compliance controls, the Group has periodically reviewed these control areas through the various heads of department, and has continuously made improvements with the assistance of the in-house internal auditor team.

For FY2016, the Board has received assurance from the CEO, the CFO and the Head of Internal Audit of the Company that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal control in place within the Group (including financial, operational, compliance and information technology controls) are sufficiently adequate and effective in addressing the material risks in the Group in its current business environment.

Based on the internal controls maintained by the Group, work performed by the internal audit team and the BRC during the financial year under review, as well as the statutory audit by the external auditors, and the reviews performed by Management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls in place by the Group, is adequate and effective to address all material aspects of the financial, operational, compliance and information technology controls, and the risk management systems, are adequate and effective to meet the needs of the Group for the type and volume of businesses conducted in the current business environment.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as the Group strives to achieve its' business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Information in relation to the Group's risk management objectives and policies is disclosed in the notes to the financial statement on pages 111 to 114.

AUDIT COMMITTEE

Principle 12: Establishment of Audit Committee with written terms of reference

The AC comprises the following three members, all of whom are Non-Executive and Independent Directors.

Ng Cher Yan	Chairman
Wee Ewe Lay Laurence John	Member
Sim Idrus Munandar	Member

The Board is of the opinion that the AC members are appropriately qualified to discharge their responsibilities. Two of the members, Messrs Ng Cher Yan and Sim Idrus Munandar, have accounting or related financial management background, while Wee Ewe Lay Laurence John is the Director of a law firm. All members are familiar with financial statements.

As the Lead Independent Director and the AC Chairman, Mr Ng Cher Yan's scope of work also include leading the AC in its' role in reviewing interested person transactions undertaken by the Group and being available to shareholders where they have concerns which have been raised through the normal channels of the Chairman or the CFO but have not been resolved or for which such contact is inappropriate.

None of the AC members is a former partner or Director of the Company's existing auditing firm or auditing corporation within a period of twelve months commencing on the date of his ceasing to be partner of the auditing firm or a Director of the auditing corporation; and in any case, a person has any financial interest in the auditing firm or auditing corporation.

The AC is regulated by a set of written Terms of Reference. The principal functions of the AC include:

(a) Reviewing the financial reporting process including but not limited to the audit plans of the external auditors and, where applicable, the internal auditors, including the results of the auditors' review and evaluation of the Group's system of internal accounting, operational and compliance controls and risk;

(b) management policies and systems and ensuring co-ordination between the internal and external auditors and Management at least annually. The AC also ensures that a review of the effectiveness of the Group's internal controls is conducted at least annually;

(c) Reviewing the Group's financial results announcements before submission to the Board for approval prior to release to the SGX-ST;

(d) Reviewing the consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with Financial Reporting Standard, concerns and issues arising from their audits including any matters which the external auditors may wish to highlight and discuss in the absence of Management, where necessary, before submission to the Board for approval;

(e) Reviewing and discussing with the external auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the operating results and/or financial position and Management's response;

(f) Reviewing the co-operation of Management with the auditors;

(g) Reviewing the non-audit services provided by the external auditors as part of the AC's assessment of the external auditors' independence;

(h) Considering the appointment, re-appointment and removal, approving the remuneration and engagement of the external auditors and reviewing the independence and objectivity of the external auditors annually;

(i) Reviewing any transactions falling within the scope of Chapters 9 and 10 of the SGX-ST Listing Manual;

(j) Reviewing all hedging policies of, and instruments used for hedging by, the Group (if any);

(k) Undertaking other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(l) Reviewing potential conflicts of interest (if any);

(m) Ensuring that arrangements are in place for employees to raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters; and

(n) Undertaking such other functions and duties as may be required by applicable law or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC will:

i. Commission and review the findings of internal investigations into any matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and

ii. Ensure that the appropriate follow-up actions are taken.

The AC met four times during FY2016 to review the audit plan/report, the audit findings, the reports on interested person transactions, the reports on internal audit activities for the year (including updates on the findings in relation thereto) and the announcements of the quarterly and full-year results before being approved by the Board for release to the SGX-ST.

The AC is authorised by the Board to investigate any matters within its Terms of Reference. It has unrestricted access to information pertaining to the Group, to both internal and external auditors, and to all employees of the Group. Reasonable resources have been made available to the AC to enable it to discharge its duties properly.

The AC has met with the external auditors and Head of Internal Audit, without the presence of the Company's Management. As there are no non-audit services provided by the external auditors for the year under review, the AC is of the view that the objectivity and independence of the external auditors in 2016 were not prejudiced. The fees payable to auditors is set out on page 111 of this Annual Report.

The AC will undertake a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on annual basis. Messrs Ernst & Young LLP, the external auditors of the Company, has confirmed that they are a Public Accounting Firm registered with Accounting and Corporate Regulatory Authority and provided a confirmation of their independence to the AC. The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, given the size and complexity of the Group. The AC is satisfied that the appointment of external auditors is in compliance with the requirements of Rule 712 of the SGX-ST Listing Manual. Accordingly, the AC has recommended the re-appointment of Messrs Ernst & Young LLP as external auditors for the ensuing year at the forthcoming AGM of the Company.

In accordance with the requirements of Rule 715 of the SGX-ST Listing Manual, the AC and the Board, having reviewed the appointment of different auditors for the Company's subsidiaries, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

The Company has put in place a whistle-blowing policy in August 2008 to provide employees with an avenue to raise concerns about possible improprieties in financial reporting of other matters, and the AC is satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. Details of the policy and arrangements have been made available to the employees.

The AC members take measures to keep abreast of changes of accounting standards and issues which have a direct impact on financial statements through attending training and seminars as well as receiving updates from the Group's external auditors.

INTERNAL AUDIT

Principle 13: Effective and independent internal audit function

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the shareholders' investments and the Group's assets. The AC has been assigned to oversee and ensure that such a system has been appropriately implemented and monitored.

The Company has an in-house internal audit team to review the effectiveness of the Group's internal controls, including the adequacy of the Group's internal financial, operational, compliance and information technology controls. Internal audit findings, recommendations and actions taken by Management on the recommendations were reported to the AC. The in-house internal audit team is independent and carries out its activities in accordance with the Standards for the Professional Practice of Internal Auditing.

The in-house internal audit team primary line of reporting is to the AC Chairman and the AC will continue on an annual basis:

- To review the adequacy of the Group's internal controls;

- To review the adequacy of the internal audit function, its activities and organisational structure to ensure that no unjustified restrictions or limitations are imposed;

- To review and approve the annual internal audit plan to ensure that there is sufficient coverage of the Group' activities; and

- To oversee the implementation of the internal audit plan and ensure that Management provides the necessary co-operation to enable the in-house internal audit team to perform his functions and duties. All improvements to controls recommended by the in-house internal audit team and accepted by the AC will be monitored for implementation.

The AC is satisfied that the in-house internal audit team or Head of Internal Audit is a qualified and experienced personnel.

The in-house internal audit team plans its internal audit schedules in consultation with, but independent of, Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work.

The AC reviews the activities of the in-house internal audit team on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. The AC reviews the adequacy and effectiveness of the internal audit functions on an annual basis and is satisfied with its adequacy and effectiveness.

IV. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

In line with the continuous disclosure obligations of the Company, under the SGX-ST Listing Manual and the Companies Act, Cap. 50, the Board has established a policy to inform shareholders promptly of all major developments that may impact materially on the Company and/or the Group.

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding the commercial interests of the Group. The Company does not practice selective disclosure.

The Group's results and other material information are released through the SGXNet on a timely basis for issemination to shareholders and the public in accordance with the listing requirements of the SGX-ST. Copies of the Annual Report, the Circular and the Notices of the AGM and/or Extraordinary General Meeting ("**EGM**"), where applicable, are sent to every shareholder of the Company. The Notices of the general meetings are also published in a major local newspaper and announced via SGXNet and made available on the Company's website at http://www.samkotimber.com/web/html/index.php.

Each distinct issue requiring shareholders' approval is proposed as a separate resolution at the general meetings. In addition, shareholders' participation is encouraged at the general meetings to ensure a high level of accountability and to be informed of the Group's strategy and goals. The AGM and/or EGM are the principal forum for dialogue with shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the general meetings. The Board including the Chairmen of the AC, RC, NC and BRC, as well as the key management of the Company are present and available to address questions of the shareholders with the assistance of the external auditors, when necessary.

The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure timely, accurate, fair and transparent disclosure of information.

The Company is committed to treat all shareholders fairly and equitably, and keep all its shareholders and other stakeholders informed of its corporate activities, including changes in the Company or its business which would be likely to materially affect the price or value of its shares, on a timely basis.

The Company allows any shareholder, who is unable to attend the general meetings in person, to appoint not more than two proxies to attend and vote in his/her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight hours before the time appointed for holding the general meeting). The proxy form is sent with the notice of general meetings to all shareholders. The Company is not implementing absentia voting methods such as by mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company records minutes of all general meetings and questions and comments from shareholders together with the responses of the Board and Management. These are available to shareholders at their request.

In support of greater transparency of the voting process and to enhance shareholders' participation, the Company puts all resolutions proposed at the general meetings to vote by poll since 2016. Shareholders who are present in person or represented by proxies will be entitled to one vote for each share held. A scrutineer is appointed to count and validate the votes cast at the general meetings. The total number of votes cast for and against each resolution and the respective percentage are announced and released to the SGX-ST via SGXNet.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results or operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

The Board has not declared or recommended dividends for FY2016, as the Directors are of the view that it can be better use the cash for working capital to support the business operation of the Group at this juncture.

DEALINGS IN SECURITIES

The Company has adopted an internal Code of Best Practices on dealings in the securities to provide guidance to the officers, including Directors, of both the Company and its subsidiaries with regard to dealings in the Company's securities.

The Code of Best Practices prohibits the officers of the Group from dealing in the Company's securities during the period commencing two weeks before the announcement of each of the Company's quarterly financial results and one month before the announcement of the Company's full-year financial results and ending on the date of announcement of such results on the SGX-ST, or when they are in possession of the unpublished price sensitive information of the Group. Notifications of the 'closed window' periods are sent to all officers concerned.

The Directors are also required to notify the Company of any dealings in the Company's securities within two days of the transaction and to submit an annual confirmation on their compliance with the Code of Best Practices.

In addition, the Directors and Officers of the Group are discouraged from dealing in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS

The Company has established internal control procedures to ensure the transactions with interested persons are properly reviewed and approved by the AC and conducted at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the SGX-ST Listing Manual) for FY2016:

Name of interested person	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)	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)
	Rp'million	**Rp'million**
PT Pelayaran Nelly Dwi Putri		
Freight expense	6,280	-
PT Bank Sahabat Sampoerna		
Interest expenses	3,515	-
PT Sampoerna Land		
Office rental	5,242	-
PT Wahana Sekar Agro		
Cooperation for cultivation of trees	420	-

The Company does not have any shareholders' mandate for interested person transactions.

Prior to entering into an interested person transactions by the Group, the Board and the AC will review such a transaction to ensure that the relevant rules under Chapter 9 of the SGX-ST Listing Manual are complied with.

MATERIAL CONTRACTS

Save as disclosed in the financial statements, there were no other material contracts of the Company or any of its subsidiaries, involving the interests of the CEO, Directors or controlling shareholders subsisting at the end of FY2016 or have been entered into since the end of the previous financial year.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Samko Timber Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due, on the assumption that, as stated in Note 2.1 to the financial statements and that the Group will also be able to generate adequate cash flow from its operations.

Directors

The directors of the Company in office at the date of this statement are:

Aris Sunarko @ Ko Tji Kim - Executive Chairman
Riko Setyabudhy Handoko - Executive Director and Chief Executive Officer
Michael Joseph Sampoerna
Eka Dharmajanto Kasih
Koh Tji Beng @ Ambran Sunarko
Ng Cher Yan
Wee Ewe Lay Laurence John
Sim Idrus Munandar

Arrangements to enable directors to acquire shares and debentures

Except as described in the subsequent paragraph, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year/date of appointment	At the end of financial year	At the beginning of financial year/date of appointment	At the end of financial year
Ordinary shares of the Company				
Aris Sunarko @ Ko Tji Kim[(1)]	34,698,231	34,698,231	190,100,346	190,100,346
Koh Tji Beng @ Ambran Sunarko	148,473,230	148,473,230	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

Notes:

(1) Mr Aris Sunarko @ Ko Tji Kim is deemed to be interested by virtue of Section 7 of the Singapore Companies Act, Cap. 50, in the following shares:

a) 5,657,000 shares held by Noah Shipping Pte Ltd;
b) 33,846,346 shares held by Hasan Holdings Pte Ltd; and
c) 150,597,000 shares held by First Fortuna Holdings Pte Ltd.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Audit committee

The audit committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

Audit committee (cont'd)

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;

- Reviewed the nature and extent of non-audit services provided by the external auditor;

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

- Reported actions and minutes of the AC to the board of directors with recommendations as the AC considered appropriate; and

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

There were no non-audit services provided by the external auditors to the Group. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Statement.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Aris Sunarko @ Ko Tji Kim	Riko Setyabudhy Handoko
Executive Chairman	Executive Director and Chief Executive Officer

Singapore

31 March 2017

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Samko Timber Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flows statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of Financial section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters (cont'd)

Going concern assumption

We considered the application of the going concern basis of accounting and the related disclosures in Note 2.1 to the financial statements to be a focus area due to the fact that it requires significant management judgement. Our audit procedures included amongst others:

- discussed with management on the business plan and financing requirements;
- obtained management's cash flow forecast for the period of 12 months from the date of the financial statements prepared for the purpose of the going concern assessment and evaluated the reasonableness of the key assumptions used in the forecast;
- agreed the Group's committed debt facilities, including financial covenant terms and the timing of repayment to supporting documentation.
- performed stress test on the key assumptions used in the forecast, in particular the sales growth, future production levels and operating costs by reference to the historical data and market available data; and
- considered the adequacy of the disclosure in Note 2.1 to the financial statements on the going concern assumption.

Impairment assessment on property, plant and equipment and investment in a subsidiary

As at 31 December 2016, the Group's property, plant and equipment amounted to Rp558,243 million. The Group performed an impairment assessment on the property, plant and equipment located in Indonesia, which were held for the purpose of production activities.

During the financial year ended 31 December 2016, management also performed impairment assessment on the Company's investment in a subsidiary – PT Sumber Graha Sejahtera, where the main productions are located. The total carrying amount of the investment in this subsidiary and advances for investment amounted to Rp406,319 million.

We considered the audit of the Group's and Company's impairment assessment of these assets to be a key audit matter due to the magnitude of their net carrying amounts and the significant management judgement involved in the assessment process as the assumptions used will be affected by future market and economic conditions. The Group determined the recoverable amounts of these assets by calculating the value-in-use, using discounted cash flow. Based on the impairment test, management concluded that these assets were not impaired as at 31 December 2016.

Our audit procedures included, amongst others:

- assessed the valuation methodology used by management;
- evaluated the key assumptions used in the impairment analysis, in particular the discount rate, sales growth rate, future production levels and operating costs;
    - involved our internal valuation specialist in our evaluation of discount rate;
    - evaluated the reasonableness of sales growth rate and operating costs to the historical data and market available data;
    - evaluated the reasonableness of the future production levels by reference to historical production rate; and
- evaluated management's forecasting process by comparing previous forecasts to actual results.

The disclosures relating to property, plant and equipment and investment in subsidiaries are included in Notes 12 and 14 to the financial statements.

Key audit matters (cont'd)

Fair value of biological assets

As at 31 December 2016, the biological assets of the Group amounted to Rp49,971 million. These biological assets are stated at fair value less estimated point-of-sale cost at harvest. Management engaged an external valuation expert to assist in determining the fair value of the biological assets. We focused on this area because the valuation involved significant judgement exercised by the Group and external valuation expert and were subjected to estimation uncertainty.

We assessed the competency, objectivity and capabilities of the external valuation expert engaged by the Group. We have also performed the following procedures, amongst others:

- assessed the valuation methodology used by external valuation expert;
- evaluated the key assumptions used in the valuation, in particular the discount rate, average market price and yield per hectare;
- involved our internal valuation specialist to assist us in our evaluation of discount rate;
- compared the average market price and yield per hectare to historical data and market available data; and
- assessed the adequacy of the disclosures made on the fair value of biological assets in Note 16 to the financial statements.

Post-employment benefits

As at 31 December 2016, the Group calculated and recorded post-employment benefit of Rp231,275 million for its qualified employees. These benefits were made available to the employees based on Indonesian Labour Law. Management engaged an independent actuary to assist them in the computation of the post-employment benefit liabilities. We considered the computation of the post-employment benefit liabilities to be a key audit matter due to the magnitude of the amounts recognised in the financial statements as well as estimation uncertainty involved in determining the amounts.

We assessed the competency, objectivity and capabilities of the independent actuary engaged by the Group. We have also performed the following procedures, amongst others:

- tested samples of the employees' details used in the computation to the human resource records and performed re-computation of the post-employment benefit liabilities;
- evaluated the reasonableness of the total annual salaries used in the computation by comparing to the historical data;
- evaluated other key assumptions used in the valuation, in particular the discount rate, inflation rate, future salaries increases, mortality rates and future pension increases;
- compared the discount rate, inflation rate, mortality rate and future pension increases to market available data issued by the government of Indonesia;
- evaluated the reasonableness of future salaries increases to the historical data; and
- assessed the adequacy of the disclosures made on the post-employment benefits liabilities in Note 29 to the financial statements.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Po Hsiong Jonathan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
31 March 2017

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

	Notes	2016 Rp'million	2015 Rp'million
Revenue	4	3,116,088	3,463,008
Cost of sales		(2,855,731)	(3,119,201)
Gross profit		260,357	343,807
Other items of income			
Finance income	5	671	544
Other income	6	104,058	5,019
Other items of expenses			
Selling expenses		(118,126)	(162,236)
General and administrative expenses		(340,278)	(319,210)
Finance expenses	7	(100,114)	(91,442)
Other expenses	8	(140,391)	(227,256)
Loss before tax	9	(333,823)	(450,774)
Income tax expense	10	(73,556)	(27,636)
Net loss for the financial year		(407,379)	(478,410)
Attributable to:			
Owners of the Company		(403,364)	(477,723)
Non-controlling interests		(4,015)	(687)
		(407,379)	(478,410)
Loss per share (in Rupiah)			
Basic and diluted	11	(281)	(341)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	2016 Rp'million	2015 Rp'million
Net loss for the financial year	(407,379)	(478,410)
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Net actuarial gain on post-employment benefit	8,235	3,890
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gain	387	14,576
Other comprehensive income for the financial year, net of tax	8,622	18,466
Total comprehensive income for the financial year	(398,757)	(459,944)
Attributable to:		
Owners of the Company	(394,666)	(459,354)
Non-controlling interests	(4,091)	(590)
	(398,757)	(459,944)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2016

	Notes	Group 2016 Rp'million	Group 2015 Rp'million	Company 2016 Rp'million	Company 2015 Rp'million
Non-current assets					
Property, plant and equipment	12	558,243	662,542	32	149
Intangible assets	13	–	–	–	–
Investment in subsidiaries	14	–	–	126,076	126,076
Investment in an associate	15	–	–	–	–
Biological assets	16	49,971	55,603	–	–
Land use rights	17	61,372	66,874	–	–
Deferred tax assets	18	40,755	65,316	–	–
Other non-current assets	19	7,322	31,986	311,410	9
		717,663	882,321	437,518	126,234
Current assets					
Inventories	20	510,436	567,975	–	–
Trade and other receivables	21	175,196	238,709	32,670	37,620
Prepaid operating expenses		47,442	74,849	410	447
Advances to suppliers	22	17,870	30,880	–	–
Restricted deposits	23	12,555	7,525	–	–
Cash at banks and on hand	24	58,724	91,075	4,543	2,411
		822,223	1,011,013	37,623	40,478
Non-current assets held for sale	12,17	26,865	–	–	–
		849,088	1,011,013	37,623	40,478
Current liabilities					
Trade and other payables	25	277,723	339,414	12,844	7,540
Other liabilities	26	147,352	125,719	6,327	3,636
Advances from customers	27	12,439	27,497	–	723
Income tax payable		10,963	11,401	–	–
Loans and borrowings	28	502,499	536,239	–	–
		950,976	1,040,270	19,171	11,899
Net current (liabilities)/ assets		(101,888)	(29,257)	18,452	28,579

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Notes	Group 2016 Rp'million	Group 2015 Rp'million	Company 2016 Rp'million	Company 2015 Rp'million
Non-current liabilities					
Loans and borrowings	28	329,033	456,644	–	–
Post-employment benefits	29	215,845	240,275	–	–
Deferred tax liabilities	18	1,667	569	–	–
		546,545	697,488	–	–
Net assets		69,230	155,576	455,970	154,813
Equity attributable to owners of the Company					
Share capital	30	2,501,056	2,188,645	2,501,056	2,188,645
Accumulated losses		(2,765,786)	(2,370,739)	(2,045,086)	(2,033,832)
Other reserves	31	327,204	326,823	–	–
		62,474	144,729	455,970	154,813
Non-controlling interests		6,756	10,847	–	–
Total equity		69,230	155,576	455,970	154,813

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Attributable to owners of the Company						Non-controlling Interests	Total equity
	Share capital (Note 30)	Accumulated losses	Other Reserves, total	Restructuring reserves (Note 31)	Foreign currency translation reserves (Note 31)	Equity attributable to owners of the Company, total		
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Balance at 1 January 2016	2,188,645	(2,370,739)	326,823	309,050	17,773	144,729	10,847	155,576
Loss for the financial year	–	(403,364)	–	–	–	(403,364)	(4,015)	(407,379)
Other comprehensive income								
Net actuarial gain/(loss) on post-employment benefits	–	8,317	–	–	–	8,317	(82)	8,235
Foreign currency translation gain	–	–	381	–	381	381	6	387
Other comprehensive income for the financial year, net of tax	–	8,317	381	–	381	8,698	(76)	8,622
Total comprehensive income for the financial year	–	(395,047)	381	–	381	(394,666)	(4,091)	(398,757)
Contributions by owners								
Issue of new ordinary shares under Rights Issue	317,400	–	–	–	–	317,400	–	317,400
Share issuance expense	(4,989)					(4,989)		(4,989)
	312,411	–	–	–	–	312,411	–	312,411
Balance at 31 December 2016	2,501,056	(2,765,786)	327,204	309,050	18,154	62,474	6,756	69,230

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2016

Group	Attributable to owners of the Company							
	Share capital (Note 30)	Accumulated losses	Other Reserves, total	Restructuring reserves (Note 31)	Foreign currency translation reserves (Note 31)	Equity attributable to owners of the Company, total	Non-controlling Interests	Total equity
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Balance at 1 January 2015	2,188,645	(1,896,810)	312,248	309,050	3,198	604,083	9,418	613,501
Loss for the financial year	–	(477,723)	–	–	–	(477,723)	(687)	(478,410)
Other comprehensive income								
Net actuarial gain on post-employment benefits	–	3,794	–	–	–	3,794	96	3,890
Foreign currency translation gain	–	–	14,575	–	14,575	14,575	1	14,576
Other comprehensive income for the financial year, net of tax	–	3,794	14,575	–	14,575	18,369	97	18,466
Total comprehensive income for the financial year	–	(473,929)	14,575	–	14,575	(459,354)	(590)	(459,944)
Change in ownership interest in a subsidiary								
Acquisition of a subsidiary	–	–	–	–	–	–	2,019	2,019
Total change in ownership interest in a subsidiary	–	–	–	–	–	–	2,019	2,019
Balance at 31 December 2015	2,188,645	(2,370,739)	326,823	309,050	17,773	144,729	10,847	155,576

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Company	**Share capital (Note 30)**	**Accumulated losses**	**Total equity**
	Rp'million	Rp'million	Rp'million
Balance at 1 January 2016	2,188,645	(2,033,832)	154,813
Issue of new ordinary shares under Rights Issue	317,400	–	317,400
Share issuance expense	(4,989)	–	(4,989)
Loss for the financial year, representing total comprehensive income for the financial year	–	(11,254)	(11,254)
Balance at 31 December 2016	2,501,056	(2,045,086)	455,970
Balance at 1 January 2015	2,188,645	(1,533,331)	655,314
Loss for the financial year, representing total comprehensive income for the financial year	–	(500,501)	(500,501)
Balance at 31 December 2015	2,188,645	(2,033,832)	154,813

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOWS STATEMENT

For the financial year ended 31 December 2016

	Notes	2016 Rp'million	2015 Rp'million
Operating activities			
Loss before tax		(333,823)	(450,774)
Adjustments for:			
Interest income	5	(671)	(544)
Net gain on disposal of property, plant and equipment	6	(2,329)	(3,351)
Net foreign exchange (gain)/loss		(13,708)	70,795
Net gain on disposal of investment	6	(95,689)	–
Depreciation of property, plant and equipment	12	110,584	131,986
Interest expense	7	94,221	84,742
Post-employment benefits expense	29	41,543	48,077
Net VAT receivable written-off		40,740	–
Net loss on change in fair value of biological assets	8	5,853	2,589
Amortisation of land use rights	8	3,776	3,905
Allowance for doubtful receivables	8	3,224	10,409
Property, plant and equipment written off	12	1,244	–
Allowance for irrecoverable advance to suppliers	8	528	18,710
Inventories written-down	8	445	54,609
Amortisation of intangible assets	8,13	–	992
Impairment of intangible assets	8,13	–	34,915
Operating cash flow before changes in working capital		(144,062)	7,060
Changes in working capital			
Trade and other receivables		60,289	(14,592)
Inventories		57,094	(26,511)
Prepaid operating expenses		(51,031)	(2,928)
Advances to suppliers		4,451	15,742
Trade and other payables		(61,691)	84,290
Other liabilities		20,389	(15,750)
Advances from customers		(15,058)	12,452
Other non-current assets		230	(22,433)
Cash flow (used in)/provided by operating activities		(129,389)	37,330
Income taxes refunded/(paid)		10,355	(38,196)
Post-employment benefits paid	29	(57,460)	(5,578)
Net cash flows used in operating activities		(176,494)	(6,444)

CONSOLIDATED CASH FLOWS STATEMENT

For the financial year ended 31 December 2016

	Notes	2016 Rp'million	2015 Rp'million
Investing activities			
Purchase of property, plant, and equipment (Note (i))		(24,155)	(91,677)
Additions of biological assets	16	(221)	(2,692)
Interest received		671	544
Proceeds from disposal of property, plant and equipment		7,209	9,553
Proceeds from disposal of investment		95,689	–
Additions of land use rights	17	–	(2,178)
Investment in a subsidiary		–	(3,028)
Additional controlling interest from a subsidiary		–	2,019
Net cash flows provided by/(used in) investing activities		79,193	(87,459)
Financing activities			
Proceeds from loans and borrowings		1,999,702	2,134,138
Repayments of loans and borrowings		(2,162,969)	(1,984,829)
Interest paid		(84,778)	(75,043)
(Placement)/withdrawal of restricted deposits		(5,065)	330
Proceeds from issuance of new shares, net of expenses		312,411	–
Net cash flows generated from financing activities		59,301	74,596
Net decrease in cash and cash equivalents		(38,000)	(19,307)
Effect of exchange rate change on cash and cash equivalents		(419)	3,309
Cash and cash equivalents at 1 January		91,075	107,073
Cash and cash equivalents at 31 December		52,656	91,075
For the purpose of presenting the consolidated statement of cash flow, the consolidated cash and cash equivalents comprises the followings:			
Cash at banks and on hand	24	58,724	91,075
Less: Bank overdraft	28	(6,068)	–
Cash and cash equivalents		52,656	91,075

(i) Purchase of property, plant and equipment

	2016 Rp'million	2015 Rp'million
Movement in the addition of property, plant and equipment comprises of:		
Cash payment	24,155	91,677
Reclassification of advances made for the purpose of property, plant and equipment	13,084	33,669
Addition through finance lease	324	754
	37,563	126,100

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. General

Corporate information

Samko Timber Limited (the "Company") is a limited liability company which is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The immediate and ultimate holding company is Sampoerna Forestry Limited.

The registered office and principal place of business of the Company is located at 7500A Beach Road, #08-305/307 The Plaza, Singapore 199591.

The principal activities of the Company are investment holding and general wholesale trade. The principal activities of the subsidiaries are disclosed in Note 14.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Indonesia Rupiah (Rp) and all values in the tables are rounded to the nearest million as indicated, except when otherwise indicated.

Fundamental concepts

For the financial year ended 31 December 2016, the Group incurred a net loss before tax of Rp333,823 million (2015: Rp450,774 million) and at that date, the Group's current liabilities exceeded its current assets by Rp101,888 million (2015: Rp29,257 million).

Notwithstanding this, in the opinion of the Directors, these financial statements can be prepared on a going concern basis due to the availability of banking facilities which will enable the Group to pay its debts as and when they fall due, and that the Group will also be able to generate adequate cash flows from its operations.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretation that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets on unrealized loss*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115 *Clarifications* to FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 102 *Classification and Measurement of Share-Based Payment Transactions*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact of the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. Management is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

<u>FRS 109 *Financial Instruments*</u>

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective (cont'd)***

FRS 109 Financial Instruments (cont'd)

Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 *Leases*

FRS 116 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

2.4 ***Basis of consolidation and business combinations***

(a) ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation and business combinations (cont'd)***

(a) ***Basis of consolidation***

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) ***Business combination and goodwill***

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation and business combinations (cont'd)***

(b) ***Business combination and goodwill (cont'd)***

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 ***Transactions with non-controlling interests***

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 ***Foreign currency***

The financial statements are presented in Indonesia Rupiah, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognized in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.6 ***Foreign currency (cont'd)***

(b) ***Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign operations are translated into Indonesia Rupiah at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.7 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	:	20 years
Machinery and heavy equipment	:	8 to 20 years
Electrical installations	:	5 to 15 years
Vehicles	:	4 to 8 years
Furniture, fixtures and equipment	:	4 to 10 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2. Summary of significant accounting policies (cont'd)

2.7 ***Property, plant and equipment (cont'd)***

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 ***Intangible assets***

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditures is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and adjusted prospectively.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Technical know-how

This technical know-how was acquired in business combinations, relates to the development of technology to genetically duplicate elite tree candidates, thereby producing seedlings that have the same desirable characteristics as the mother tree. This technology is applicable for certain tree species, which are popular trees used in the plywood industry in Indonesia.

The valuation of the intangible assets is calculated based on the discounted cash flow model whereby the fair value is calculated using cash flows arising from the intangible assets as the developed technology for the remaining useful life of the assets, less all applicable contributory asset charges.

This asset is amortised using the straight line method over the period of 10 years starting from the acquisition date and the amortisation has been included in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.9 *Biological assets*

Biological assets comprise of standing trees in a plantation forest, separate from the land on which these assets are located.

The plantation forests are recognised and measured at fair value less estimated point-of-sale costs at harvest. The valuation of the biological assets is calculated by the independent valuer based on the discounted cash flow model whereby the fair value is calculated using cash flows from continuous operations, assuming sustainable forest management plans, taking into account the growth potential from their industrial forest plantations. The yearly harvest made from the forecasted tree growth is multiplied by actual wood pines and the cost of fertilizer, before the deduction of harvesting. The fair value is measured as the present value of the harvest from one growth cycle based on the productive forestland.

2.10 *Land use rights*

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 20 – 30 years.

2.11 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

2. Summary of significant accounting policies (cont'd)

2.13 ***Impairment of non-financial assets (cont'd)***

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.14 ***Financial instruments***

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.14 ***Financial instruments (cont'd)***

(a) ***Financial assets (cont'd)***

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.14 ***Financial instruments (cont'd)***

(c) ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.15 ***Impairment of financial assets***

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.15 ***Impairment of financial assets (cont'd)***

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.16 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash in bank and on hand and short term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 ***Inventories***

Inventories are stated at the lower of cost or net realisable value. Cost incurred in bringing the inventories to their present location and condition are accounted for using the average method for finished goods, work in progress and raw materials and first-in, first-out method for indirect materials and spare parts.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.19 ***Financial guarantee***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

No financial guarantee is recognised on the balance sheets of the Group.

2.20 ***Interest bearing loans and borrowings***

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.21 ***Borrowing costs***

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 ***Employee benefit***

(a) ***Defined contribution plans***

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) ***Termination benefits***

Termination benefits are payable when employment is terminated before the normal retirement age in accordance with the provision of the employment contract and/or local labour laws.

2. Summary of significant accounting policies (cont'd)

2.22 ***Employee benefit (cont'd)***

(c) ***Pension benefits***

The Group operates a defined benefit pension plan for severance and service benefits, which is required under the labour laws in Indonesia and is unfunded.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, is recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent period.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

The Group recognises service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the net defined benefit obligation under 'administration expenses' in consolidated statement of profit or loss.

2.23 ***Leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. Summary of significant accounting policies (cont'd)

2.24 *Non-current assets held for sale*

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment and land-used rights once classified as held for sale are not depreciated or amortised.

2.25 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent.

(a) ***Sales of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) ***Interest income***

Interest income is recognised using the effective interest method.

2.26 *Income taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.26 ***Income taxes (cont'd)***

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

2. Summary of significant accounting policies (cont'd)

2.26 ***Income taxes (cont'd)***

(b) ***Deferred tax***

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheets.

2.27 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment manages report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 ***Share capital and share issue expense***s

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.29 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheets of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 ***Judgements made in applying accounting policies***

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

3. Significant accounting judgements and estimates (cont'd)

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are disclosed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) ***Impairment of property, plant and equipment***

The Group assesses whether there are any indicators of impairment for property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment annually and at other times when such indicators exist. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the Group's property, plant, and equipment at the end of the reporting period is disclosed in Notes 12.

(b) ***Impairment of investment in subsidiaries***

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries as at balance sheet date is disclosed in Note 14.

The carrying amount of the investment in subsidiaries is sensitive to the valuation inputs such as sales price and discount rate. A reduction of 1% in selling price and an increase of 1% in the discount rates would have no variance in the carrying amount of the investment in subsidiaries of the Company as at 31 December 2016.

(c) ***Post-employment benefits***

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Post-employment liabilities at 31 December 2016 amounted to Rp231,275 million (2015: Rp253,669 million). Further details about pension obligations are disclosed in Note 29.

3. Significant accounting judgements and estimates (cont'd)

3.2 ***Key sources of estimation uncertainty (cont'd)***

(d) ***Valuation of biological assets***

Biological assets are measured at its fair value less estimated point-of-sale costs. Annual valuation by independent professional valuer is carried out to ascertain the fair value of biological assets. The carrying amount of biological assets as at 31 December 2016 was Rp49,971 million (2015: Rp55,603 million).

4. Revenue

	Group	
	2016	**2015**
	Rp'million	Rp'million
Domestic sales	2,122,933	2,204,531
Export sales	993,155	1,258,477
	3,116,088	3,463,008

5. Finance income

	Group	
	2016	**2015**
	Rp'million	Rp'million
Interest income	671	544

6. Other income

	Group	
	2016	**2015**
	Rp'million	Rp'million
Net gain on disposal of investment	95,689	–
Net foreign exchange gain	6,040	–
Net gain on disposal of property, plant and equipment	2,329	3,351
Insurance claim	–	1,226
Miscellaneous income	–	442
	104,058	5,019

7. Finance expenses

	Group	
	2016	2015
	Rp'million	Rp'million
Interest expense on:		
Bank borrowings	87,854	82,735
Bank borrowings from a related party	3,515	–
Obligation under finance lease	2,852	2,007
Bank charges	5,893	6,700
	100,114	91,442

8. Other expenses

	Group	
	2016	2015
	Rp'million	Rp'million
Worker separation expenses	86,917	–
Net loss on change in fair value of biological assets	5,853	2,589
Tax penalties	5,722	11,091
Amortisation of land use rights	3,776	3,905
Allowance for doubtful receivables	3,224	10,409
Property, plant and equipment written off	1,244	–
Allowance for irrecoverable advance to suppliers	528	18,710
Inventories written-down	445	54,609
Amortisation of intangible assets	–	992
Impairment of intangible assets	–	34,915
Net foreign exchange loss	–	90,036
Others	32,682	–
	140,391	227,256

9. Loss before tax

Other than as disclosed elsewhere in the financial statements, the following items have been included in arriving at loss before tax:

	Group 2016 Rp'million	Group 2015 Rp'million
Audit fees paid to:		
- Auditor of the Company	1,109	1,264
- Other auditors	1,945	1,951
Factory overhead	789,988	950,847
Salaries and employees' benefits		
- Salaries	800,291	867,428
- Defined plan benefit	42,347	45,202
- Other short-term benefits	17,326	32,070
Post-employment benefits (Note 29)	41,543	48,077
Rental expenses	12,362	11,958
Depreciation of property, plant and equipment (Note 12)	110,584	131,986
Freight charges	97,514	136,558
Legal and other professional fees	48,393	22,761

There were no non-audit fees paid to auditor of the Company during the financial years ended 31 December 2016 and 2015.

10. Income tax expense

(a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December are:

	Group 2016 Rp'million	Group 2015 Rp'million
Consolidated income statement:		
Current income tax:		
Current year	10,742	11,044
Impairment of prepaid taxes	36,359	–
Under provision in respect of previous years	(757)	1,180
	46,344	12,224
Deferred income tax (Note 18)		
Origination and reversal of temporary differences	27,212	16,253
Benefits from previously unrecognised tax losses	–	(841)
	27,212	15,412
Income tax expense recognised in profit or loss	73,556	27,636
Consolidated statement of comprehensive income:		
Deferred income tax:		
Net actuarial (loss)/gain on post-employment benefits	(1,758)	10,663

10. Income tax expense (cont'd)

(b) ***Relationship between tax expense and accounting profit***

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 December can be analysed as follows:

	Group	
	2016	**2015**
	Rp'million	Rp'million
Loss before tax	(333,823)	(450,774)
Tax at domestic rates applicable in the countries where the Group operates	(80,237)	(180,541)
Income not subject to tax	(24,088)	(140)
Non-deductible expenses	18,401	105,873
Under provision of prior year income tax	35,602	1,180
Deferred tax assets not recognised for the current year tax losses	126,264	66,293
Benefits from previously unrecognised other timing differences	–	35,964
Effect of partial tax exemption and tax relief	(1,561)	(252)
Benefits from previously unrecognised tax losses	–	(841)
Others	(825)	100
Income tax expense recognised in profit or loss	73,556	27,636

The corporate income tax applicable to the entities in Singapore is 17.0% (2015: 17.0%). The corporate income tax rate applicable to the subsidiaries in Indonesia is 25.0% (2015: 25.0%).

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Expenses not deductible for tax purposes mainly related to tax effect on disallowed interest expenses, while the income not subjected to tax related to tax effect on non-taxable interest income.

10. Income tax expense (cont'd)

(b) ***Relationship between tax expense and accounting profit (cont'd)***

Tax losses

As of 31 December 2016, the Group has tax losses of approximately Rp475,406 million (2015: Rp480,616 million) that is available for offset against future taxable profits, subjected to a maximum of five years period based on the Indonesia tax regulation. Out of these tax losses, approximately Rp475,406 million (2015: Rp374,141 million) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in the country in which the Company and its subsidiaries operate.

11. Loss per share

The basic and diluted loss per share are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares.

The following reflects the loss and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2016	**2015**
	Rp'million	Rp'million
Loss of the year attributable to owners of the Company used in computation of earnings per share	(403,364)	(477,723)
	Number of shares	Number of shares
Weighted average number of ordinary shares used for basic and diluted earnings per share computation	1,433,421,520	1,401,445,464

12. Property, plant and equipment

Group

						Construction in progress		Leased assets	
	Buildings and improvements	**Machinery and heavy equipment**	**Electrical installations**	**Vehicles**	**Furniture, fixtures and equipment**	**Buildings**	**Machinery**	**Machinery and heavy equipment**	**Total**
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Cost									
At 1 January 2016	347,911	1,222,923	48,281	53,510	86,836	10,792	45,685	46,873	1,862,811
Additions	475	–	165	1,101	1,513	5,362	28,947	–	37,563
Disposals	–	(132,897)	–	(2,010)	(997)	(484)	(1,985)	–	(138,373)
Reclassifications	(16,770)	82,831	3,767	–	786	(13,545)	(57,906)	(27,277)	(28,114)
Written-off	–	(2,863)	–	–	–	–	–	–	(2,863)
Translation reserve	–	–	–	(13)	(47)	–	–	–	(60)
At 31 December 2016	331,616	1,169,994	52,213	52,588	88,091	2,125	14,741	19,596	1,730,964
Accumulated depreciation and impairment									
At 1 January 2016	151,397	894,919	29,613	40,775	60,544	–	–	23,021	1,200,269
Depreciation charge for the year	16,633	74,499	4,140	3,397	8,182	–	–	3,733	110,584
Disposals	–	(131,102)	–	(1,472)	(919)	–	–	–	(133,493)
Reclassifications	(2,975)	9,594	–	–	–	–	–	(9,594)	(2,975)
Written-off	–	(1,619)	–	–	–	–	–	–	(1,619)
Translation reserve	–	–	–	(4)	(41)	–	–	–	(45)
At 31 December 2016	165,055	846,291	33,753	42,696	67,766	–	–	17,160	1,172,721
Net carrying amount									
At 31 December 2016	166,561	323,703	18,460	9,892	20,325	2,125	14,741	2,436	558,243

12. Property, plant and equipment (cont'd)

Group (cont'd)

						Construction in progress		Leased assets	
	Buildings and improvements	Machinery and heavy equipment	Electrical installations	Vehicles	Furniture, fixtures and equipment	Buildings	Machinery	Machinery and heavy equipment	Total
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Cost									
At 1 January 2015	329,549	1,150,165	42,630	53,677	79,292	18,956	80,145	51,723	1,806,137
Additions	638	16,425	1,537	2,466	6,084	14,078	84,872	–	126,100
Disposals	(204)	(56,790)	–	(2,358)	(244)	–	(5,024)	–	(64,620)
Reclassifications	17,928	117,292	4,114	(275)	1,546	(22,242)	(114,308)	(4,850)	(795)
Written off	–	(4,183)	–	–	–	–	–	–	(4,183)
Translation reserve	–	14	–	–	158	–	–	–	172
At 31 December 2015	347,911	1,222,923	48,281	53,510	86,836	10,792	45,685	46,873	1,862,811
Accumulated depreciation and impairment									
At 1 January 2015	134,025	858,627	25,558	38,445	51,938	–	–	18,007	1,126,600
Depreciation charge for the year	17,576	90,403	4,055	4,337	8,731	–	–	6,884	131,986
Disposals	(204)	(56,271)	–	(1,731)	(212)	–	–	–	(58,418)
Reclassifications	–	2,145	–	(275)	–	–	–	(1,870)	–
Translation reserve	–	15	–	(1)	87	–	–	–	101
At 31 December 2015	151,397	894,919	29,613	40,775	60,544	–	–	23,021	1,200,269
Net carrying amount									
At 31 December 2015	196,514	328,004	18,668	12,735	26,292	10,792	45,685	23,852	662,542

12. Property, plant and equipment (cont'd)

Company

	Furniture, fixtures and equipment Rp'million
Cost	
At 1 January 2015, 31 December 2015, and 1 January 2016	731
Disposal for the year	(178)
At 31 December 2016	553
Accumulated depreciation	
At 1 January 2015	495
Depreciation charge for the year	87
At 31 December 2015 and 1 January 2016	582
Depreciation charge for the year	83
Disposal for the year	(144)
At 31 December 2016	521
Net carrying amount	
At 31 December 2016	32
At 31 December 2015	149

Depreciation

Depreciation charges allocated to cost of sales and general and administrative expenses amounted to Rp104,548 million (2015: Rp123,703 million) and Rp6,036 million (2015: Rp8,283 million) respectively.

Assets pledged as security

Buildings and improvements, machinery and heavy equipment with aggregate net book value of Rp530,677 million in 2016 (2015: Rp576,589 million) are pledged as collateral for interest bearing loans (Note 28).

Assets written-off

The assets written-off of Rp1,244 million (2015: nil) pertains to obsolete equipment in a subsidiary within the SGS division, PT Panca Usaha Palopo Plywood, was recognised in "Other expenses" (Note 8) line item of profit or loss.

Non-current assets held for sale

During the year, the board approved the disposal of the Group's fixed assets consisting of a factory and land in Tangerang, Indonesia. These assets has a net book value ('NBV') of Rp25,139 million and is reclassified to assets held for sale during the year.

13. Intangible assets

Group	Goodwill	Technical know-how	Total
	Rp'million	Rp'million	Rp'million
Cost:			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	25,992	13,024	39,016
Accumulated amortisation and impairment:			
At 1 January 2015	–	3,191	3,191
Amortisation for the year	–	992	992
Impairment loss for the year	25,992	8,923	34,915
Effect of translation difference	–	(82)	(82)
At 31 December 2015 and 1 January 2016 and 31 December 2016	25,992	13,024	39,016
Net carrying amount:			
At 31 December 2015 and 2016	–	–	–

Technical know-how relates to the development of technology to genetically duplicate elite tree candidates, thereby producing seedlings that have the same desirable characteristics as the mother tree. This technology is applicable for certain tree species, which are popular trees used in the plywood industry in Indonesia.

The amortisation of technical know-how was included in the "Other expenses" line items in profit or loss.

Goodwill acquired through business combination has been allocated to the plantation business as a single-cash generating unit (CGU).

In prior year, full impairment of Rp34,915 million was recognised to write-down the carrying amount of the goodwill and intangible assets.

14. Investment in subsidiaries

	Company	
	2016	2015
	Rp'million	Rp'million
Unquoted shares, at cost	2,086,697	2,086,697
Impairment losses	(1,960,621)	(1,960,621)
	126,076	126,076

Principal subsidiaries of the Group are as follow:

	Name (Country of incorporation)	Principal activities	Percentage of effective equity interest held by the Company	
			2016	2015
@	PT Sumber Graha Sejahtera (Indonesia)	Production of plywood, laminated veneer lumber wood panels and wood based furniture	99.99	99.99
#	Samko Trading Pte Ltd (Singapore)	Wholesale of plywood, sawn timber, logs and related products	100.00	100.00
#	Bioforest Pte Ltd (Singapore)	Production and marketing of elite tree seedlings and provision of consultation services	100.00	100.00
@	PT Panca Usaha Palopo Plywood (Indonesia)	Production of plywood, sawn timber, wood mouldings and construction materials	98.45	98.45
@	PT Sejahtera Usaha Bersama (Indonesia)	Production of plywood and building materials	99.98	99.98
@	PT Makmur Alam Sentosa (Indonesia)	Production of plywood and veneers	99.98	99.98
&	PT Makmur Alam Lestari (Indonesia)	Production of veneers	99.92	99.92
@	PT Putra Sumber Utama Timber (Indonesia)	Production of plywood and laminated veneer lumber, wood mouldings and building material components	99.58	99.58
&	PT Alam Raya Makmur (Indonesia)	Wholesale of plywood, sawn timber, logs and related products	100.00	100.00
&	PT Anugrah Karunia Alam (Indonesia)	Wholesale of plywood, sawn timber, logs and related products	100.00	100.00
	PT Nusantara Mitra Sejahtera (Indonesia)	Promote, develop and assemble wooden truck body	60.00	60.00

14. Investment in subsidiaries (cont'd)

Audited by Ernst & Young LLP Singapore
@ Audited by Purwantono, Sungkoro & Surja, Jakarta – a member of Ernst & Young Global Limited
& Audited by Tanubrata Sutanto Fahmi & Rekan, Jakarta – a member of BDO International Limited

Impairment testing of investment in subsidiaries

During the financial year, management performed impairment tests for the investments in PT Sumber Graha Sejahtera, as the subsidiary had been making losses and the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the financial statements of the investee's net assets.

The recoverable amount of the subsidiary have been determined based on a value in use calculation using cash flow projections based on a financial budget approved by management covering a 5-year period. The pre-tax discount rate applied to the cash flow projection is 13%.

15. Investment in an associate

	Group	
	2016 Rp'million	**2015** Rp'million
At equity		
Shares, at cost	–	73,275
Less: share of losses	–	(73,275)
Net carrying amount	–	–
Fair value of investment in an associate for which there is published price quotation	–	38,309

During the year, the investment in PT SLJ Global Tbk was disposed of for a total consideration of Rp95,689 million.

Name (Country of incorporation)	Principal activities	Percentage of effective equity interest held by the Company	
		2016	**2015**
PT SLJ Global Tbk (Indonesia)	Forest exploration, industrial timber estate and utilisation of forest products	–	24.6

Audited by Purwantono, Sungkoro & Surja, Jakarta – a member of Ernst & Young Global Limited

15. Investment in an associate (cont'd)

The summarised audited financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2016 US$'000	2015 US$'000
Assets and liabilities:		
Total assets	–	85,851
Total liabilities	–	(106,744)
Net liabilities	–	(20,893)
Results:		
Revenue	–	64,284
Profit for the year	–	223

16. Biological assets

	Group	
	2016 Rp'million	**2015** Rp'million
At fair value		
At 1 January	55,603	55,500
Capitalisation of expenses	221	2,692
Net change in fair value less estimated cost to sell	(5,853)	(2,589)
At 31 December	49,971	55,603

The Group's plantations are located in Java and Sulawesi with total planted areas that cover 1,531 hectares in 2016 (2015: 1,531 hectares). Plantation trees consist of Gmelina Arborea, Paraserianthes Falcataria, Anthocepalus Cadamba and Tectona Grandis with 75% aged between 1 – 7 years (2015: 80%).

16. Biological assets (cont'd)

Fair value determination

The fair value of biological assets is estimated with reference to a professional valuation using the present value of expected net cash flows from the biological assets. The valuations are based on the following significant assumptions:

(a) No new planting or re-planting activities are assumed.
(b) The economic life of each standing tree is 6 – 10 years (2015: 6 – 9 years);
(c) Yield is 13 – 283 (2015: 26 – 283) cubic meter per hectare;
(d) Average inflation rate is 4.07% (2015: 5.03%) per annum;
(e) Discount rate is 12.2% (2015: 13.2%) per annum; and
(f) Market price is derived from average market price per species.

As at 31 December 2016 and 2015, there was no biological asset pledged as collateral for interest bearing loans.

The Group is exposed to financial risk in respect of agricultural activity. The agricultural activity of the Group consists of the management of biological assets to produce marketable output. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of biological assets and on harvesting and ultimately receiving cash from the sale of the marketable output. The Group plans for cash flow requirements for such activities and manages its debt and equity portfolio actively.

17. Land use rights

	Group	
	2016	**2015**
	Rp'million	Rp'million
Cost:		
At 1 January	107,798	104,825
Additions	–	2,178
Reclassification	(2,754)	795
At 31 December	105,044	107,798
Accumulated amortisation:		
At 1 January	40,924	37,019
Amortisation	3,776	3,905
Reclassification	(1,028)	–
At 31 December	43,672	40,924
Net carrying amount	61,372	66,874

17. Land use rights (cont'd)

Total land use rights amounts to 398 hectares. The land use rights are transferable and have a remaining tenure up to 28 years (2015: 29 years).

During the year, the board has approved the disposal of the Group's fixed assets consisting of a factory and land in Tangerang, Indonesia. Land use rights associated with these assets amounting to Rp1,726 million were reclassified to assets held for sale during the year.

During the year, land use rights with the aggregate carrying amount of Rp52,022 million in 2016 (2015: Rp55,732 million) are pledged as collateral for interest bearing loans (Note 28).

18. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheets		**Consolidated income statement**	
	2016	**2015**	**2016**	**2015**
	Rp'million	Rp'million	Rp'million	Rp'million
Deferred tax assets:				
Unutilised tax losses	719	26,619	(25,900)	(7,556)
Difference in employees' benefits obligation	36,141	36,835	(2,989)	(8,623)
Difference in accounting and tax treatment of finance lease	231	(6,065)	6,296	(7,577)
Allowance for incentives	131	704	(573)	(535)
Allowance for inventory obsolescence	696	4,624	(3,928)	3,688
Allowance for bad debts	187	1,790	(1,603)	1,380
Allowance for irrecoverable advance to suppliers	650	616	34	616
Effect of change in value of biological assets	–	–		1,109
Difference in intangible assets	–	–		1,239
Difference in depreciation for tax purposes	1,570	(245)	1,815	3,743
Other items	430	438	(8)	(24)
	40,755	65,316		

18. Deferred tax (cont'd)

	Group			
	Consolidated balance sheets		Consolidated income statement	
	2016	2015	2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million
Deferred tax liabilities:				
Difference in employees' benefits obligation	4,443	207	4,980	(61)
Difference in amortisation of land use rights	–	–	–	(7,916)
Allowance for incentives	–	–	–	(212)
Allowance for inventory obsolescence	386	–	386	–
Allowance for bad debts	490	–	490	–
Difference in depreciation for tax purposes	(962)	(776)	(188)	101
Difference in accounting and tax treatment of finance lease	(6,024)	–	(6,024)	5,216
	(1,667)	(569)		
Deferred income tax (Note 10)			(27,212)	(15,412)

19. Other non-current assets

	Group		Company	
	2016	2015	2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million
Estimated claim for tax refund	2,845	22,284	–	–
Guarantee deposits - net	2,482	2,224	–	9
Advances for purchase of property, plant and equipment	1,983	6,978	–	–
Prepaid rental	–	500	–	–
Advance to a subsidiary	–	–	311,410	–
Others	12	–	–	–
	7,322	31,986	311,410	9

20. Inventories

	Group	
	2016	2015
	Rp'million	Rp'million
Balance sheets:		
At cost		
Raw materials	28,674	37,327
Work in progress	219,475	216,020
Indirect materials and spare parts	83,274	106,107
At lower of cost and net realisable value		
Finished goods	179,013	208,521
	510,436	567,975
Income statement:		
Inventories recognised as an expense in cost of sales	1,371,408	1,375,237
Inventories written-down in other expenses	445	54,609

Inventories with the aggregate carrying amount of Rp424,819 million in 2016 (2015: Rp457,206 million) are pledged as collateral for interest bearing loans (Note 28).

21. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million
Trade receivables				
- Third parties	163,471	225,031	10,065	6,033
Other receivables				
- Third parties	11,725	13,678	–	–
- Subsidiary companies	–	–	22,605	31,587
Total trade and other receivables	175,196	238,709	32,670	37,620
Add:				
- Cash at banks and on hand (Note 24)	58,724	91,075	4,543	2,411
- Restricted deposits (Note 23)	12,555	7,525	–	–
- Guarantee deposits – net (Note 19)	2,482	2,224	–	9
Total loans and receivables	248,957	339,533	37,213	40,040

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their values on initial recognition.

Trade receivables of the Group with the aggregate carrying amount of Rp122,528 million in 2016 (2015: Rp133,186 million) are pledged as collateral for interest bearing loans (Note 28).

Other receivables from subsidiary companies are unsecured, interest free and are repayable on demand.

At the end of the reporting period, trade receivables arising from export sales amounting to nil (2015: Rp9,239 million) are arranged to be settled via letters of credits issued by banks in countries where the customers are based.

Receivables that are past due but not impaired

The Group and Company has trade receivables amounting to Rp48,618 million (2015: Rp52,567 million) and Rp21,416 million (2015: Rp21,487 million), respectively that are past due at the balance sheets date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheets date is as follows:

	Group		Company	
	2016	2015	2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million
61 – 90 days	6,369	6,759	–	–
More than 90 days	42,249	45,808	21,416	21,487
Total	48,618	52,567	21,416	21,487

21. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's and Company's trade and other receivables that are impaired at the balance sheets date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2016	2015	2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million
Trade receivables	14,567	16,807	–	–
Less: Allowance for impairment	(14,567)	(16,807)	–	–
Other receivables	558	585	969	1,007
Less: Allowance for impairment	(558)	(585)	(969)	(1,007)
Total	–	–	–	–
Movement in allowance accounts:				
At 1 January	17,392	6,963	1,007	565
Charge for the year	3,224	10,409	–	422
Written-off	(5,423)	–	–	–
Translation	(68)	20	(38)	20
At 31 December	15,125	17,392	969	1,007

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

At the balance sheet date, trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesian Rupiah	126,692	157,361	–	–
United States Dollar	46,656	81,348	8,096	10,742
Singapore Dollar	–	–	24,574	26,878
Malaysian Ringgit	1,848	–	–	–
	175,196	238,709	32,670	37,620

22. Advances to suppliers

	Group	
	2016	2015
	Rp'million	Rp'million
For the procurement of:		
Logs	6,919	10,605
Veneers	397	495
Spare parts	4,937	13,562
Others	5,617	6,218
	17,870	30,880

23. Restricted deposits

	Group	
	2016	2015
	Rp'million	Rp'million
Indonesian Rupiah	6,246	4,824
United States Dollar	6,309	2,701
	12,555	7,525

This represents escrow accounts opened and maintained with a lender and are pledged as collateral for interest bearing loans (Note 28).

24. Cash at banks and on hand

	Group		Company	
	2016	2015	2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million
Cash on hand	2,048	3,280	–	–
Cash at banks	34,676	87,795	4,543	2,411
	36,724	91,075	4,543	2,411
Short term deposit	22,000	–	–	–
Cash at banks and on hand	58,724	91,075	4,543	2,411
Interest rate per annum	0.1% - 2.0%	0.1% - 2.0%	0.1%	0.1%

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short term deposit placed with banks have a maturity period of 1 month and bears a 8% interest per annum.

24. Cash at banks and on hand (cont'd)

At the balance sheet date, cash at banks and on hand are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesian Rupiah	44,738	53,326	–	–
United States Dollar	11,262	32,308	673	874
Singapore Dollar	2,057	4,013	3,863	1,529
Others	667	1,428	7	8
	58,724	91,075	4,543	2,411

25. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million
Trade payable				
- Third parties	265,031	322,503	–	–
- Related parties	8,650	12,525	–	–
- Subsidiary companies	–	–	12,804	7,540
Other payable				
- Third parties	4,042	4,386	40	–
Total trade and other payables	277,723	339,414	12,844	7,540
Add:				
- Other liabilities(1) (Note 26)	123,040	91,369	6,282	3,134
- Loans and borrowings (Note 28)	831,532	992,883	–	–
Total financial liabilities carried at amortised cost	1,232,295	1,423,666	19,126	10,674

(1) Excludes value-added tax and post-employment benefits

25. Trade and other payables (cont'd)

At the balance sheet date, trade and other payables are denominated in the following currencies:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesian Rupiah	265,117	317,060	–	–
United States Dollar	10,194	20,848	12,804	7,540
Singapore Dollar	66	–	40	–
Others	2,346	1,506	–	–
	277,723	339,414	12,844	7,540

Trade payable – third parties are non-interest bearing. Trade payables are normally settled on 60-days terms while other payables have an average term of three months.

Trade payable – related parties and subsidiary companies are unsecured, non-interest bearing and repayable on demand.

26. Other liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	Rp'million	Rp'million	Rp'million	Rp'million
Accrual for operating expenses	119,037	86,830	6,282	3,134
Post-employment benefits (Note 29)	15,430	13,394	–	–
Value-added tax	8,882	20,956	45	502
Accrued interest	3,075	3,866	–	–
Others	928	673	–	–
	147,352	125,719	6,327	3,636

27. Advances from customers

	Group		Company	
	2016	2015	2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million
Local	6,779	5,433	–	–
Export	5,660	22,064	–	723
	12,439	27,497	–	723

This account represents advances received from customers for sales of the Group's products.

28. Loans and borrowings

	Group	
	2016	2015
	Rp'million	Rp'million
Current		
Interest bearing loans	502,080	532,266
Obligation under finance lease	419	3,973
	502,499	536,239
Non-current		
Interest bearing loans	328,875	456,186
Obligation under finance lease	158	458
	329,033	456,644
Total loans and borrowings	831,532	992,883

28. Loans and borrowings (cont'd)

(i) ***Interest bearing loans***	Group 2016 Rp'million	Group 2015 Rp'million
(a) Total facilities up to US$22,062,017 (approximately: Rp296,425 million) and Rp249,595 million (2015: US$41,659,962 (approximately: Rp574,700 million) and Rp453,810 million) comprising term loans, demand loans, pre and post export financing, bank guarantee and foreign exchange line. Term loans is payable on 20 quarterly instalments commencing from August 2016. Interest for US$ and Rp loan is at LIBOR plus 4.25% - 4.75% and lender prime lending rate plus 1.75% per annum, respectively. The loan includes financial covenants which require a group of subsidiaries to maintain EBITDA to debt service ratio not less than 1.25 times, adjusted leverage ratio not more than 2.5 times, consolidated debt to EBITDA not more than 3 times, and loan to value ratio not more than 75%.	535,748	720,491
(b) US$20,000,000 (approximately: Rp268,720 million) multi-currency specific advance facility and payable within 1 - 3 months. Interest rate per annum to be agreed at each withdrawal of advance.	237,817	213,823
(c) Total facilities up to Rp58,000 million for Post Import Financing Non Letter of Credit. The loans are repayable within 1 month from withdrawal and bear interest at JIBOR one-month plus 4.75% per annum. The loans include financial covenants which require the lenders to maintain EBITDA to debt service ratio not less than 1.25 times and debt to equity ratio not more than 2.5 times.	33,822	36,638
(d) Rp17,500 million working capital facility repayable at 120 days from the date of withdrawal and bear interest at 10% per annum.	17,500	17,500
(e) Rp60,000 million revolving overdraft facility and is payable 12 months since the date of withdrawal. Interest is 14% per annum.	6,068	–
	830,955	988,452
Effective interest rate per annum	4.1%-16.4%	4.1%-14.1%
Within one year	502,080	532,266
Between two and five years	328,875	456,186
	830,955	988,452

28. Loans and borrowings (cont'd)

(i) ***Interest bearing loans (cont'd)***

The Group secured a new Rp60,000 million bank loan overdraft facility from a new lender who is controlled by the Sampoerna family, the substantial shareholders of the Company. All the existing lenders had given their consent for the Group to use the bank loan facility on the condition that the Group will increase the equity capital of the relevant subsidiary, PT Sumber Graha Sejahtera ("SGS"). Subsequent to the year end, the Company will increase the equity of SGS subscribing new shares amounting to Rp311 billion.

During the current financial year, SGS breached the financial covenants for not maintaining certain covenants listed above. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount in the events of breach of covenant.

On 29 December 2016, the bank issues a waiver letter to SGS not recall for immediate repayment of the loan with condition that no dividend payment to be made as long as the covenant breach is continuing.

The interest bearing loans are secured by following:

(a) Guarantee undertaking from two major shareholders of the Company, the Company and certain subsidiaries; and

(b) Secured over the land use rights, buildings, machinery, inventories, account receivables, bank balances of certain subsidiaries. All other assets of these subsidiaries are on negative pledge to the financial institution and some restriction on dividend payment is imposed on them.

On 20 February 2017, the bank extended to the Group an amended facilities letter for their existing term loans, whereby it was agreed that the facility will be extended from 16 May 2019 to 16 May 2021 and at a lower interest rate of SBDK+1% as compared to from SBDK+1.75% under the older facility agreement.

28. Loans and borrowings (cont'd)

(ii) ***Obligation under finance lease***

The Group has finance leases for certain items of machinery and heavy equipment and vehicles. There are no restrictions placed upon the Group by entering into these leases.

The future minimum lease payments under the lease agreements are as follows:

Group	2016 Minimum payments Rp'million	2016 Present value of minimum payments Rp'million	2015 Minimum payments Rp'million	2015 Present value of minimum payments Rp'million
Within one year	457	419	4,147	3,973
Between two and five years	167	158	513	458
Total minimum lease payments	624	577	4,660	4,431
Less: interest	(47)	–	(229)	–
Present value of minimum lease payments	577	577	4,431	4,431
Effective interest rate per annum	4% - 16%		2% - 12%	

All assets acquired under finance leases are secured against the assets under lease.

The net book value of assets under finance lease amounts to Rp2,436 million for the financial year ended 31 December 2016 (2015: Rp23,852 million).

29. Post-employment benefits

The Group calculate and record post-employment benefits for its qualified employees based on Indonesia Labour Law No. 13/2003 dated March 2003. The number of employees entitled to the benefits as at 31 December 2016 was 6,401 people (2015: 9,143 people).

The following tables summarise the components of provision for post employment benefits included in salaries and employee allowances and employee benefits under "General and Administrative Expenses" in consolidated income statement and "Post-employment Benefits" in the consolidated balance sheets.

29. Post-employment benefits (cont'd)

	Group	
	2016	**2015**
	Rp'million	Rp'million
Benefit liabilities:		
Beginning of the year	253,669	225,723
Expenses during the year	41,543	48,077
Actual payments during the year	(57,460)	(5,578)
Actuarial gain during the year	(6,477)	(14,553)
Ending of the year	231,275	253,669
Less: current portion (Note 26)	15,430	13,394
Non-current portion	215,845	240,275
Net benefit expense:		
Current service costs	30,758	29,049
Interest costs	23,500	18,726
Net curtailments effect or termination	(12,715)	302
Net benefit expense	41,543	48,077

The cost of providing post-employment benefits is calculated by an independent actuary, using the following key assumptions:

	Group	
	2016	**2015**
Discount rate per annum	8.05% - 8.49%	9.04% - 9.20%
Mortality table*	TMI III – 2011	TMI III - 2011
Rates of increase in compensation per annum	10%	10%
Retirement age	55 years old	55 years old

* TMI III – 2011 refer to Table of Mortality in Indonesia

29. Post-employment benefits (cont'd)

Post-employment benefits is recognised in the "Administrative expenses" line item in the consolidated statement of comprehensive income. The following table summarises the components of post-employment benefits expense recognised in other comprehensive income:

	Group	
	2016	**2015**
	Rp'million	Rp'million
Before tax	6,477	14,553
Tax charge	1,758	(10,663)
After tax	8,235	3,890

The sensitivity analysis below has been determined based on reasonably possible changes of significant assumption on the post-employment benefits as of the end of the reporting period, assuming if all other assumptions were held constant.

	Present value of obligation		Current service cost	
	2016	**2015**	**2016**	**2015**
	Rp'million	Rp'million	Rp'million	Rp'million
As reported using discount rate of 8.05%-8.49% (2015: 9.04%-9.20%) per annum	231,275	253,669	41,543	48,077
Increase by 100 basis points	205,362	224,439	30,758	29,045
Decrease by 100 basis points	261,986	288,491	30,758	29,053

30. Share capital

	Group and Company			
	2016		**2015**	
	Number of shares	Rp'million	Number of shares	Rp'million
Issued and fully paid				
At 1 January	1,401,445,464	2,188,645	1,401,445,464	2,188,645
Issue of new ordinary shares under Rights Issue	972,605,041	317,400	–	–
Share issuance expense	–	(4,989)	–	–
	2,374,050,505	2,501,056	1,401,445,464	2,188,645

30. Share capital (cont'd)

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restrictions. The ordinary shares have no par value.

Renounceable rights issue

On 8 December 2016, the Company completed a rights issue, and issued 972,605,041 ordinary shares in the capital of the Company at an issue price of S$0.35 for each Rights Share, on the basis of 5 Rights Share for every 7 existing ordinary shares of the Company. The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company. Net proceeds of Rp312,411 million were received.

31. Other reserves

(a) ***Restructuring reserves***

Restructuring reserves represent the difference between the nominal value of shares issued in exchange for the nominal value of shares and reserves of subsidiaries acquired under common control, in accordance with the principles of merger accounting.

(b) ***Foreign currency translation reserves***

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

32. Commitments and contingencies

Financial support

The Company has agreed to provide financial support to a subsidiary having current liabilities in excess of its current assets by Rp531,072 million.

Capital commitments

Capital expenditures relates to machineries for decking products contracted for as at 31 December 2016 but not recognised in the financial statements amounting to nil (2015: Rp2,797 million).

Operating lease commitments – as lessee

The Group has various operating lease agreements for the rental of office. Office leases have an average life of between 1 and 5 years and contain renewable options. Lease terms do not contain escalation clauses or contingent rentals and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Operating lease payments recognised as an expense in the profit or loss for the financial year ended 31 December 2016 amounted to Rp6,076 million (2015: Rp5,751 million).

32. Commitments and contingencies (cont'd)

Operating lease commitments – as lessee (cont'd)

Future minimum lease payments payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2016	**2015**
	Rp'million	Rp'million
Not later than one year	6,254	6,139
Later than one year but not later than five years	–	6,315
	6,254	12,454

33. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

In addition to those related party information disclosed elsewhere in the financial statements, the following transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties.

	Group	
	2016	**2015**
	Rp'million	Rp'million
PT Pelayaran Nelly Dwi Putri Tbk		
- *Freight charges*	6,280	16,909
PT Wahana Sekar Agro		
- *Cooperation for cultivation of trees*	420	864
PT Sampoerna Land		
- *Office rental*	5,242	4,838
PT Bank Sahabat Sampoerna		
- *Interest expenses*	3,515	–
PT Wijaya Triutama Plywood Industri		
- *Purchase of veneer*	–	12,580

33. Related party disclosures (cont'd)

Certain Sunarko family members are substantial shareholders of PT Pelayaran Nelly Dwi Putri Tbk (a listed company in Indonesia) and PT Wijaya Triutama Plywood Industri. 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, which is related to a substantial shareholder of the Company.

Compensation to Directors and key management personnel

	Group	
	2016	2015
	Rp'million	Rp'million
Directors fees	2,189	2,392
Short-term employee benefits	26,219	24,784
Central provident Fund contribution	46	80
	28,454	27,256
Comprise amount paid to:		
- Directors of the Company	14,273	9,967
- Other key management personnel	14,181	17,289
	28,454	27,256

Compensation to key management personnel consist of salaries, bonus, and car allowance.

Financial guarantee

The Company has granted financial guarantee to the lenders for interest bearing loans for certain subsidiaries (Note 28).

34. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk, and liquidity risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer, Head of Treasury and Head of Credit Control. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

34. Financial risk management objectives and policies (cont'd)

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There have been no changes to the Group's exposure to these financial risks, or the manner in which it manages and measures the risks.

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rates risk arises primarily from their loans and borrowings and cash in bank.

The Group's policy is to manage interest cost using a mix of fixed and floating rate borrowings. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rate while enabling benefits to be enjoyed if interest rates fall.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Surplus funds are placed with reputable banks and financial institutions which generate interest income for the Group.

<u>Sensitivity analysis for interest rate risk</u>

The Group's borrowing interest rates are mainly floating rates. At the end of each reporting period, if the borrowing interest rates had been 100 basis points lower/higher with all other variables held constant, the Group's loss after tax in 2016 would have been Rp6,504 million (2015: Rp7,744 million) lower/higher.

(b) ***Foreign currency risk***

Substantially all of the Group's export sales are denominated in US$. Prices of products sold in domestic market are also influenced by the international prices of timber products which are denominated in US$.

The Group has practices that include the periodic review of the impact of movements in foreign exchange rates on profitability so that appropriate action is taken to mitigate these risks. The Group uses derivative financial instruments when it is available in the market to hedge foreign exchange exposure arising from US$ denominated loans. Derivative financial instruments require bank line which is quite often difficult for companies operating in Indonesia given the limited risk appetite of the bank in providing US$/IDR swap facility. The Group does not use derivative financial instruments for trading or speculative purposes.

34. Financial risk management objectives and policies (cont'd)

(b) ***Foreign currency risk (cont'd)***

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax from a reasonably possible change in the Indonesian Rupiah exchange rate against US$, with all other variables held constant.

	Group	
	2016	**2015**
	Rp'million	Rp'million
Strengthened 2.5%	9,032	8,774
Weakened 2.5%	(9,032)	(8,774)
Strengthened 5%	18,064	17,548
Weakened 5%	(18,064)	(17,548)
Strengthened 7.5%	27,095	26,321
Weakened 7.5%	(27,095)	(26,321)
Strengthened 10%	36,127	35,095
Weakened 10%	(36,127)	(35,095)

(c) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's and the Company's exposures to credit risk are primarily from trade and other receivables and bank balances. It is the Group's policy to monitor the financial standing of these receivables on an on-going basis to ensure that the Group is exposed to minimal credit risk. Bank balances are placed with credit worthy financial institutions. More than 95% of the Group's customers have been customers for more than 5 years with good credit standing. The Group adopts prudent credit risk assessment on new and existing customers by implementing a 'know-your-customer' policy.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash at banks and on hand, and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

34. Financial risk management objectives and policies (cont'd)

(d) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's exposure to liquidity and cash flow risk arise mainly from general funding and business activities. Its objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group adopts prudent liquidity risk management by maintaining sufficient cash balances.

As at balance sheet date, approximately 60% (2015: 54%) of the Group's loans and borrowings (Note 28) will mature in less than one year based on the carrying amount reflected in the financial statements. The Group will continue to monitor and address this risk by monitoring liquidity ratios (including projecting cash flow) and maintaining debt financing plans.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to liquidity risk:

(In Rp'million)	Within 1 year	1-2 Years	2-3 years	3-4 Years	4-5 Years	Total undiscounted financial liabilities
2016						
Trade and other payables	277,723	–	–	–	–	277,723
Other liabilities[(1)]	123,040	–	–	–	–	123,040
Interest bearing loans	606,170	125,205	185,368	–	–	916,743
Obligations under finance lease	457	106	35	26	–	624
	1,007,390	125,311	185,403	26	–	1,318,130
2015						
Trade and other payables	339,414	–	–	–	–	339,414
Other liabilities[(1)]	91,369	–	–	–	–	91,369
Interest bearing loans	592,557	152,341	175,937	205,514	–	1,126,349
Obligations under finance lease	4,147	356	91	38	28	4,660
	1,027,487	152,697	176,028	205,552	28	1,561,792

(1) Excludes value-added tax and post-employment benefit liabilities

35. Fair value of assets and liabilities

(a) *Fair value hierarchy*

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety is the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) *Assets and liabilities that are carried at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
	Rp'million	Rp'million	Rp'million	Rp'million
2016				
Non-financial assets				
Biological assets	–	–	49,971	49,971
2015				
Non-financial assets				
Biological assets	–	–	55,603	55,603

35. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities that are carried at fair value (cont'd)***

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3).

Biological assets – Standing Timber

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber older than 7 years (the age at which it becomes marketable)	Estimated harvesting costs (Rp190,993 to Rp324,572, weighted average of Rp258,913)	The estimated fair value increases the lower are the estimated harvest transportation costs.
Younger standing timber	• Estimated future timber market price per m3 with average price ranging from Rp565,148 to Rp1,030,471, weighted average of Rp917,302 • Adjusted Yield per hectare (9 m3 to 162 m3, weighted average of 116 m3) • Discount rate at 12%	The estimated fair value increases, the higher is the estimated timber price and the yield per hectare and the lower is the discount rate.

For biological assets, a significant increase/(decrease) in the discount rate would result in a significantly lower/(higher) fair value measurement. The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

	31 December 2016	
		Effect of reasonably possible alternative assumption
	Carrying amount	Profit or loss
	Rp'million	Rp'million
Recurring fair value measurements		
Increase by 1%	47,567	(1,257)
Decrease by 1%	50,128	1,304

35. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities that are carried at fair value (cont'd)***

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the key unobservable input, used in the fair value measurement, by adjusting the discount rate by increasing and decreasing the assumptions by 1%. The movement in biological assets and valuation policies and procedures are disclosed and described in Note 16.

There were no transfers between level 1, 2 and 3 during the financial years ended 31 December 2016 and 2015.

(c) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

The following table shows an analysis of each class of assets and liabilities not measured at fair value at the end of the reporting period but for which fair value is disclosed:

	Group			
	Quoted prices in active markets for identical instruments	**Significant other observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1)	(Level 2)	(Level 3)	
	Rp'million	Rp'million	Rp'million	Rp'million
31 December 2016				
Non-financial assets				
Investment in an associate	–	–	–	–
31 December 2015				
Non-financial assets				
Investment in an associate	38,309	–	–	38,309

(d) ***Financial Instruments whose carrying amount approximates fair value***

Management has determined that the carrying amounts of cash in banks, trade and other receivables, trade and other payables and accrued operating expenses based on their notional amounts, reasonably approximate their fair values because they are mostly short term in nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

36. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure the Group's ability to operate as a going concern and to maintain a healthy capital structure in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

The capital for the Group is tabulated below:

	Group	
	2016	2015
Description	Rp'million	Rp'million
Loans and borrowings (Note 28)	831,532	992,883
Equity attributable to the owners of the Company	62,474	144,729
Total equity and loans and borrowings	894,006	1,137,612

37. Segment information

For management purposes, the Group is organised into business divisions based on their products and services, and has two reportable segments as follows:

1. 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.

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

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss after tax which in certain respects, as explained in the table below, is measured differently from profit or loss after tax in the consolidated financial statements. Group corporate expenses are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

37. Segment information (cont'd)

	SGS division		ST division		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2016	2015	2016	2015	2016	2015		2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million		Rp'million	Rp'million
Revenue:									
External customers	1,826,712	1,981,991	1,289,376	1,481,017	–	–		3,116,088	3,463,008
Inter-segment	1,205,351	1,376,513	1,495	–	(1,206,847)	(1,376,513)		–	–
Total revenue	3,032,063	3,358,504	1,290,871	1,481,017	(1,206,847)	(1,376,513)		3,116,088	3,463,008
Results:									
Finance income	648	494	23	50	–	–		671	544
Finance expenses	(84,413)	(75,211)	(15,701)	(16,231)	–	–		(100,114)	(91,442)
Depreciation of property, plant and equipment	(108,678)	(129,186)	(1,906)	(2,800)	–	–		(110,584)	(131,986)
Amortisation of land use rights	(3,966)	(3,905)	189	–	–	–		(3,776)	(3,905)
Post-employment benefits expense	(41,543)	(47,135)	–	(942)	–	–		(41,543)	(48,077)
Loss on change in fair value of biological assets	(5,853)	(2,589)	–	–	–	–		(5,853)	(2,589)
Inventories written-down	(445)	(54,609)	–	–	–	–		(445)	(54,609)

37. Segment information (cont'd)

	SGS division		ST division		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2016	2015	2016	2015	2016	2015		2016	2015
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million		Rp'million	Rp'million
Impairment of intangible assets	–	(3,723)	–	(31,192)	–	–		–	(34,915)
Amortisation of intangible assets	–	(263)	–	(729)	–	–		–	(992)
Tax expense	(69,026)	(29,056)	(4,531)	1,420	–	–		(73,556)	(27,636)
Segment loss	(376,000)	(435,575)	(31,380)	(42,835)	–	–		(407,379)	(478,410)
Assets:									
Deferred tax assets	39,100	60,436	1,655	4,880	–	–		40,755	65,316
Segment assets	1,484,918	1,757,914	799,031	523,380	(717,200)	(387,960)	A	1,566,751	1,893,334
Liabilities:									
Loans and borrowings	559,776	742,265	271,756	250,618	–	–		831,532	992,883
Income tax payable	9,388	10,261	1,575	1,140	–	–		10,963	11,401
Deferred tax liabilities	1,651	486	16	83	–	–		1,667	569
Segment liabilities	1,828,632	1,732,034	385,128	392,722	(716,239)	(386,998)	B	1,497,521	1,737,758

37. Segment information (cont'd)

Notes Nature of adjustments and elimination to arrive at amounts reported in the consolidated financial statements

A. The following items are deducted from segment assets to arrive at total assets reported in consolidated balance sheets:

	2016 Rp'million	2015 Rp'million
Inter-segment assets	(717,200)	(387,960)

B. The following items are deducted from segment liabilities to arrive at total liabilities reported in consolidated balance sheets:

	2016 Rp'million	2015 Rp'million
Inter-segment liabilities	(716,239)	(386,998)

Geographical information

Revenue and other non-current assets information based on the geographical location of the customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2016 Rp'million	2015 Rp'million	2016 Rp'million	2015 Rp'million
Indonesia	1,677,680	2,015,968	696,137	784,164
North Asia	683,896	772,947	–	–
Malaysia	402,053	306,000	142	220
Singapore	168,354	176,004	172	635
Middle East	57,524	23,771	–	–
Europe	35,673	35,393	–	–
North East Asia	28,845	5,488	–	–
United States of America	23,325	100,283	–	–
South East Asia	21,774	10,006	–	–
Australia	10,162	14,662	–	–
Others	6,802	2,486	–	–
	3,116,088	3,463,008	696,451	785,019

Non-current assets information presented above consist of property, plant and equipment, intangible assets, biological assets and land use rights as presented on the consolidated balance sheets.

38. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 31 March 2017.

SHAREHOLDERS' INFORMATION

Class of shares	Number of issued shares excluding treasury shares	Voting Rights
Ordinary Shares	2,374,050,505	One vote per share

There are no treasury shares held in the issued share capital of the Company.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholding			Number of Shareholders	%	Number of Shares	%
1	-	99	17	1.73	334	0.00
100	-	1,000	30	3.05	19,733	0.00
1,001	-	10,000	285	28.93	1,607,988	0.07
10,001	-	1,000,000	612	62.13	66,924,210	2.82
1,000,001		and above	41	4.16	2,305,498,240	97.11
			985	100.00	2,374,050,505	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Sampoerna Forestry Limited	1,514,532,015	63.79	-	-
First Fortuna Holdings Pte Ltd	150,597,000	6.34	-	-
Koh Tji Kiong @ Amir Sunarko (1)	128,953,331	5.43	33,846,346	1.43
Cindy Sunarko or Koh Tji Beng @ Ambran Sunarko	148,473,230	6.25	-	-
Aris Sunarko @ Ko Tji Kim (2)	34,698,231	1.46	190,100,346	8.00

Notes:

(1) Mr Koh Tji Kiong @ Amir Sunarko is deemed interested in the 33,846,346 shares held by Hasan Holdings Pte Ltd, by virtue of Section 7 of the Companies Act, Cap. 50.

(2) Mr Aris Sunarko @ Ko Tji Kim is deemed interested by virtue of Section 7 of the Companies Act, Cap. 50, in the following shares:-

(a) 5,657,000 shares held by Noah Shipping Pte Ltd;
(b) 33,846,346 shares held by Hasan Holdings Pte Ltd; and
(c) 150,597,000 shares held by First Fortuna Holdings Pte Ltd.

STATISTICS OF SHAREHOLDINGS

As at 17 March 2017

SHAREHOLDERS' INFORMATION (CONT'D)

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	RAFFLES NOMINEES (PTE) LIMITED	1,582,979,617	66.68
2.	UOB KAY HIAN PRIVATE LIMITED	260,835,514	10.99
3.	CINDY SUNARKO OR KOH TJI BENG @ AMBRAN SUNARKO	148,473,230	6.25
4.	TEMASEK LIFE SCIENCES VENTURES PRIVATE LIMITED	45,774,207	1.93
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	44,102,800	1.86
6.	HASAN HOLDINGS PTE LTD	29,135,846	1.23
7.	PANG YOKE MIN	27,000,000	1.14
8.	NATALIA TANWIR TAN	18,238,000	0.77
9.	ARIS SUNARKO @ KO TJI KIM	17,225,000	0.73
10.	HSBC (SINGAPORE) NOMINEES PTE LTD	16,876,275	0.71
11.	HORNG JIIN SHUH @ HUNG CHING HSU	16,694,000	0.70
12.	DBS NOMINEES (PRIVATE) LIMITED	13,644,191	0.57
13.	KOH BOON HONG	12,804,000	0.54
14.	FIRST FORTUNA HOLDINGS PTE LTD	10,597,000	0.45
15.	PATRICIA ALTHEA LEONG PECK HAN	7,200,000	0.30
16.	NOAH SHIPPING PTE LTD	5,657,000	0.24
17.	OCBC SECURITIES PRIVATE LIMITED	4,824,000	0.20
18.	SEE KIM HUA @ TAN KIM HUA	4,400,000	0.19
19.	KHOO MENG KOON EDWIN	3,800,000	0.16
20.	PHILLIP SECURITIES PTE LTD	3,457,283	0.15

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 14.34% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Samko Timber Limited (the "**Company**") will be held at Carlton Hotel Singapore, Connaught Room, Level 2, 76 Bras Basah Road, Singapore 189558 on Friday, 28 April 2017, at 3:00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Articles 94 and 100 of the Constitution of the Company:

Mr Eka Dharmajanto Kasih	(Retiring under Article 94)	**(Resolution 2)**
Mr Riko Setyabudhy Handoko	(Retiring under Article 100)	**(Resolution 3)**
Mr Koh Tji Beng @ Ambran Sunarko	(Retiring under Article 100)	**(Resolution 4)**

3. To note the retirement of Mr Aris Sunarko @ Ko Tji Kim, who is retiring pursuant to Article 94 of the Constitution of the Company, as the Executive Chairman and Executive Director of the Company.
[See Explanatory Note (i)]

4. To approve the payment of Directors' fees of S$227,150 for the financial year ending 31 December 2017, payable quarterly in arrears. (2016: S$227,150) **(Resolution 5)**

5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as an Ordinary Resolution, with or without any modifications:

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 7)**

By Order of the Board

Lai Kuan Loong Victor
Kiar Lee Noi
Secretaries
Singapore, 12 April 2017

Explanatory Notes:

(i) Mr Aris Sunarko @ Ko Tji Kim will not be seeking re-election and will retire at the conclusion of this Annual General Meeting. Upon the retirement of Mr Aris Sunarko @ Ko Tji Kim as the Executive Chairman and Executive Director of the Company, he will cease as a member of the Board Risk Committee of the Company.

(ii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

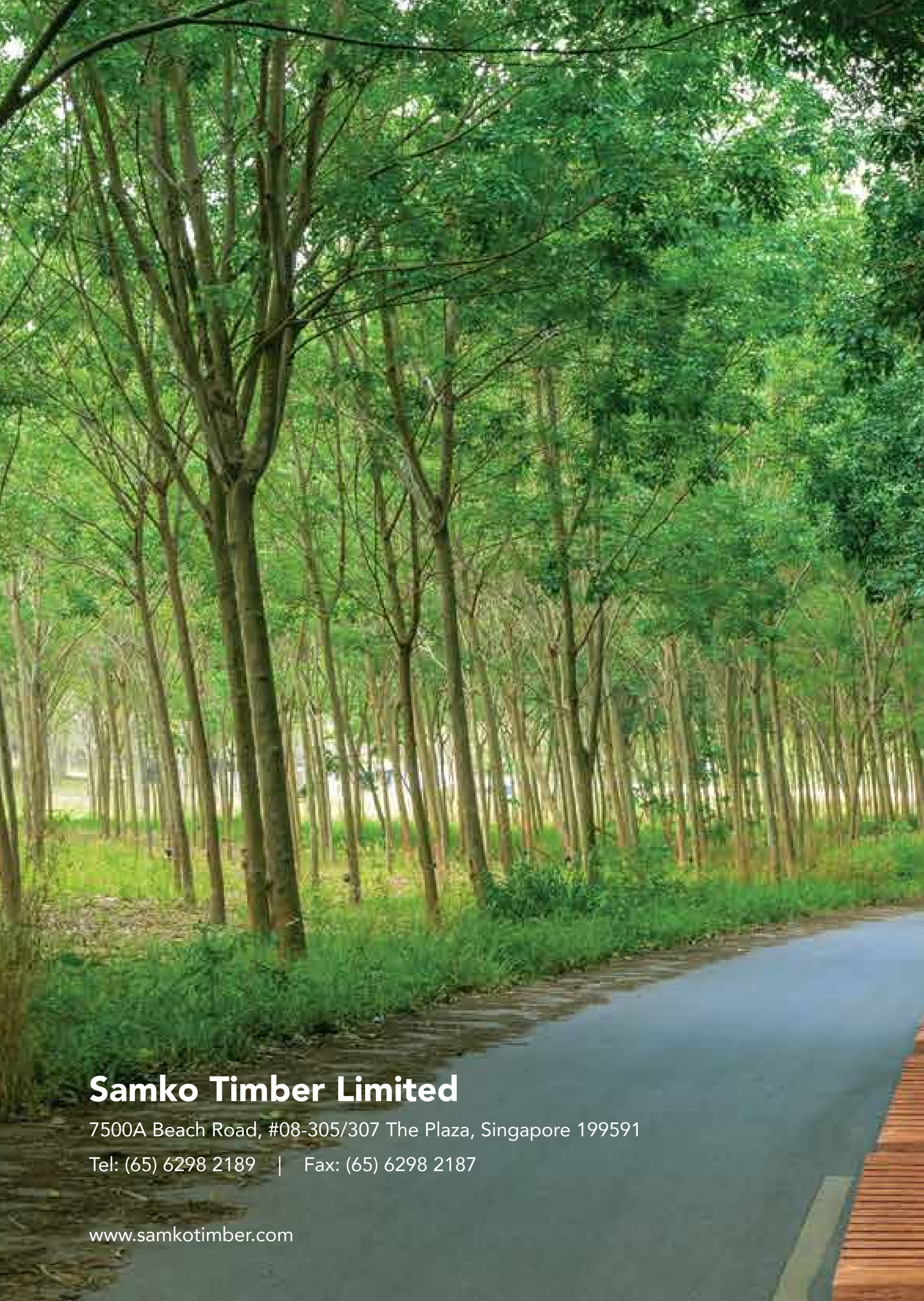
   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 7500A Beach Road, #08-305/307, The Plaza, Singapore 199591 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



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