

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Second Quarter Financial Statements and Dividend Announcement for the Period Ended 30 June 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF SECOND QUARTER RESULTS

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

	3-month ended			6-month ended		
	30 Jun 2017	30 Jun 2016	Change	30 Jun 2017	30 Jun 2016	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	711,452	783,537	(9)	1,557,167	1,666,835	(7)
Cost of sales	(627,636)	(741,213)	(15)	(1,365,533)	(1,549,864)	(12)
Gross profit	83,816	42,324	98	191,634	116,971	64
Other items of income						
Interest income	83	130	(36)	232	275	(16)
Other income	1,735	47,965	(96)	2,617	59,165	(96)
Other items of expenses						
Selling expenses	(22,058)	(30,624)	(28)	(44,415)	(71,844)	(38)
General and administrative expenses	(65,424)	(77,998)	(16)	(132,686)	(162,124)	(18)
Finance expenses	(21,888)	(29,700)	(26)	(42,308)	(55,162)	(23)
Other expenses	(4,021)	(15,097)	(73)	(20,624)	(20,887)	(1)
Loss before tax	(27,757)	(63,000)	(56)	(45,550)	(133,606)	(66)
Taxation	(4,301)	7,224	n.m	(1,949)	10,720	n.m
Net loss for the year	(32,058)	(55,776)	(43)	(47,499)	(122,886)	(61)
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Net actuarial loss on post-employment benefits	(1,310)	(1,292)	1	(2,098)	(2,705)	(22)
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation (loss) gain	(1,714)	(38)	4,411	(29)	6,700	n.m
Total comprehensive income for the year	(35,082)	(57,106)	(39)	(49,626)	(118,891)	(58)
Net loss attributable to:						
Owners of the Company	(30,558)	(54,731)	(44)	(44,647)	(121,061)	(63)
Non-controlling interests	(1,500)	(1,045)	44	(2,852)	(1,825)	56
	(32,058)	(55,776)	(43)	(47,499)	(122,886)	(61)
Total comprehensive income attributable to:						
Owners of the Company	(33,575)	(56,057)	(40)	(46,762)	(117,064)	(60)
Non-controlling interests	(1,507)	(1,049)	44	(2,864)	(1,827)	57
	(35,082)	(57,106)	(39)	(49,626)	(118,891)	(58)

n.m : not meaningful

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

	3-month ended			6-month ended		
	30 Jun 2017	30 Jun 2016	Change	30 Jun 2017	30 Jun 2016	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Depreciation of property, plant and equipment	(25,462)	(28,054)	(9)	(52,335)	(56,249)	(7)
Interest expenses	(20,015)	(28,350)	(29)	(38,896)	(52,181)	(25)
Post employment benefit expenses	(11,151)	(13,307)	(16)	(22,304)	(26,796)	(17)
Allowance for doubtful receivables	(1,323)	(1,582)	(16)	(1,353)	(1,623)	(17)
Amortisation of land use rights	(889)	(969)	(8)	(1,738)	(1,965)	(12)
Workers separation expenses	(293)	(11,261)	(97)	(2,716)	(15,335)	(82)
Net (loss) gain on disposal of property, plant and equipment	(269)	162	n.m	(8)	308	n.m
(Allowance for) recovery of irrecoverable advance to suppliers	(223)	2,733	n.m	(223)	2,733	n.m
Interest income	83	130	(36)	232	275	(16)
Net foreign exchange gain	1,266	3,559	(64)	2,617	12,522	(79)
Net gain on disposal of investment	-	39,041	(100)	-	39,041	(100)
Expense for the Group's re-organisation exercise *)	-	-	-	(15,534)	-	n.m

*) Included in "Other expenses"

n.m : not meaningful

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

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Non-current assets				
Property, plant and equipment	519,060	558,243	12	32
Investment in subsidiary companies ⁽¹⁾	-	-	437,486	126,076
Biological assets	49,898	49,971	-	-
Land use rights	59,633	61,372	-	-
Deferred tax assets	49,298	40,755	-	-
Other non-current assets	16,470	7,322	-	311,410 ⁽¹⁾
	694,359	717,663	437,498	437,518
Current assets				
Inventories	529,046	510,436	-	-
Trade and other receivables	152,763	175,196	26,270	32,670
Prepaid operating expenses	55,524	47,442	393	410
Advances to suppliers	28,122	17,870	-	-
Restricted deposits	13,366	12,555	-	-
Cash and cash equivalents	43,934	58,724	928	4,543
	822,755	822,223	27,591	37,623
Assets classified as held for sale	26,865	26,865	-	-
	849,620	849,088	27,591	37,623
Current liabilities				
Trade and other payables	220,652	277,723	10,279	12,844
Other liabilities	123,597	147,352	1,843	6,327
Advances from customers	6,548	12,439	-	-
Provision for taxation	15,601	10,963	-	-
Loans and borrowings	665,104	502,499	-	-
	1,031,502	950,976	12,122	19,171
Net current (liabilities) assets	(181,882)	(101,888)	15,469	18,452
Non-current liabilities				
Loans and borrowings	262,187	329,033	-	-
Post-employment benefits	230,686	215,845	-	-
Deferred tax liabilities	-	1,667	-	-
	492,873	546,545	-	-
Net assets	19,604	69,230	452,967	455,970
Equity attributable to owners of the Company				
Share capital	2,501,056	2,501,056	2,501,056	2,501,056
Accumulated losses	(2,812,517)	(2,765,786)	(2,047,940)	(2,045,086)
Other reserves	327,173	327,204	(149)	-
	15,712	62,474	452,967	455,970
Non-controlling interests	3,892	6,756	-	-
	19,604	69,230	452,967	455,970

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Notes:

- (1) Included in the Company's balance in 2016 is a quasi capital loan granted to a subsidiary amounted to Rp311 billion. This loan has been capitalised into the share capital of the subsidiary in 1Q 2017.

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

Amount repayable in one year or less, or on demand

As at 30 Jun 2017		As at 31 Dec 2016	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
627,737	37,367	502,499	-

Amount repayable after one year

As at 30 Jun 2017		As at 31 Dec 2016	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
262,187	-	329,033	-

Details of collaterals

As at 30 June 2017, our bank borrowings are secured by the following:

- (1) Land use rights, buildings, machinery and equipment, inventories, account receivables, collection and restricted deposits of a subsidiary, and corporate guarantees from the Company and certain subsidiaries of the Company. The loan facilities from our major lenders also include a clause demanding mandatory repayment of all the loan facilities if (i) there is any reduction in direct and/or indirect shareholding interests of PT Sumber Graha Sejahtera ("PT SGS") by Sampoerna Strategic Group, or (ii) the representatives appointed by Sampoerna Strategic Group are no longer present in PT SGS; or (iii) Mr Putera Sampoerna and his family is directly or indirectly no longer the controlling ultimate beneficiary owner of PT SGS and the Company. All other assets of the subsidiaries are on negative pledge to the financial institution and some restriction on dividend payment is imposed; and
- (2) All assets acquired under finance leases are secured against the assets under lease.

As mentioned previously, a subsidiary of the Company has not met certain financial covenant ratios as set out in the loan agreement with one of its lenders. The subsidiary continues to breach such financial covenants in this quarter but it did not default on any loan principal and interest repayments as of to-date.

As at the date of this announcement, the lender has granted the subsidiary a temporary relief of having to comply with such covenants and continued to support the subsidiary. At this moment, any declaration of dividends is subject to approval of this lender.

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

	6-month ended	
	30-Jun-17	30-Jun-16
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from operating activities		
Loss before tax	(45,550)	(133,606)
Adjustments:		
Depreciation of property, plant and equipment	52,335	56,249
Interest expense	38,896	52,181
Post-employment benefits expense	22,304	26,796
Amortisation of land use rights	1,738	1,965
Allowance for doubtful receivables	1,353	1,623
Allowance for (recovery of) advance to suppliers	223	(2,733)
Loss (gain) on disposal of property, plant and equipment	8	(308)
Interest income	(232)	(275)
Foreign exchange gain	(4,734)	(17,238)
Net gain on disposal of investment	-	(39,041)
Operating cash flow before changes in working capital	66,341	(54,387)
Changes in working capital :		
Inventories	(18,610)	85,927
Trade and other receivables	21,236	46,579
Prepaid operating expenses	(1,089)	(16,258)
Advances to suppliers	(10,475)	(6,426)
Trade and other payable	(57,071)	(5,008)
Other liabilities	(47,220)	(18,691)
Advance from customers	(5,891)	(6,566)
Other assets	(1,173)	171
Cash flow (used in) provided by operations	(53,952)	25,341
Income tax paid, net of refund	(6,072)	(11,025)
Post-employment benefit paid	(2,775)	(12,163)
Net cash flows (used in) provided by operating activities	(62,799)	2,153
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,437)	(15,065)
Additions of biological assets	(83)	(289)
Proceeds from disposal of property, plant and equipment	285	713
Interest received	232	275
Net cash flows used in investing activities	(13,003)	(14,366)

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	6-month ended	
	30-Jun-17	30-Jun-16
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from financing activities		
Drawdown of loans and borrowings	1,058,880	1,045,036
Repayment of loans and borrowings	(1,000,103)	(1,016,887)
Interest paid	(34,208)	(47,512)
Placement of restricted deposits	(868)	(16,979)
	<u>23,701</u>	<u>(36,342)</u>
Net cash flows provided by (used in) financing activities		
Net decrease in cash and cash equivalents	(52,101)	(48,555)
Effect of exchange rate changes on cash and cash equivalents	(56)	(1,010)
Cash and cash equivalents at beginning of year	<u>58,724</u>	<u>91,075</u>
Cash and cash equivalents at end of year	<u><u>6,567</u></u>	<u><u>41,510</u></u>
 For the purpose of presenting the consolidated statement of cash flow, the consolidated cash and cash equivalent comprise the followings:		
Cash and cash equivalents	43,934	81,160
Less: Bank overdraft	<u>(37,367)</u>	<u>(39,650)</u>
	<u><u>6,567</u></u>	<u><u>41,510</u></u>

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

Group	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Accumulated losses	Restructuring reserves	Foreign currency translation reserve	Total		
	Rp'million	Rp'million	Rp'million	Rp million	Rp'million		
Balance at 1 Jan 2017	2,501,056	(2,765,786)	309,050	18,154	62,474	6,756	69,230
Loss for the year	-	(44,647)	-	-	(44,647)	(2,852)	(47,499)
Other comprehensive income for the year:							
- Net actuarial loss on post-employment benefits	-	(2,084)	-	-	(2,084)	(14)	(2,098)
- Foreign currency translation loss	-	-	-	(31)	(31)	2	(29)
	-	(2,084)	-	(31)	(2,115)	(12)	(2,127)
Total comprehensive income for the year	-	(46,731)	-	(31)	(46,762)	(2,864)	(49,626)
Balance at 30 Jun 2017	2,501,056	(2,812,517)	309,050	18,123	15,712	3,892	19,604
Balance at 1 Jan 2016	2,188,645	(2,370,739)	309,050	17,773	144,729	10,847	155,576
Loss for the year	-	(121,061)	-	-	(121,061)	(1,825)	(122,886)
Other comprehensive income for the year:							
- Net actuarial loss on post-employment benefits	-	(2,693)	-	-	(2,693)	(12)	(2,705)
- Foreign currency translation gain	-	-	-	6,690	6,690	10	6,700
	-	(2,693)	-	6,690	3,997	(2)	3,995
Total comprehensive income for the year	-	(123,754)	-	6,690	(117,064)	(1,827)	(118,891)
Balance at 30 Jun 2016	2,188,645	(2,494,493)	309,050	24,463	27,665	9,020	36,685

Company	Attributable to owners of the Company			
	Share capital	Accumulated losses	Foreign currency translation reserve	Total
	Rp'million	Rp'million	Rp'million	Rp'million
Balance at 1 Jan 2017	2,501,056	(2,045,086)	-	455,970
Total comprehensive income for the year	-	(2,854)	(149)	(3,003)
Balance at 30 Jun 2017	2,501,056	(2,047,940)	(149)	452,967
Balance at 1 Jan 2016	2,188,645	(2,033,832)	-	154,813
Total comprehensive income for the year	-	(2,296)	-	(2,296)
Balance at 30 Jun 2016	2,188,645	(2,036,128)	-	152,517

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

Please see point 1(d)(iii) below.

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

	<u>Group and Company</u>
	<u>Number of shares</u>
At 30 June 2017 and 31 December 2016	<u>2,374,050,505</u>

The Company did not have any treasury shares, subsidiary holdings or other convertibles as at 30 June 2017 and 31 December 2016.

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

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

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

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

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

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

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

Not applicable.

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

The Group has adopted the new and revised accounting standards which came into effect for the financial year beginning 1 January 2017 and has applied the same accounting policies and methods of computation as those of the previous financial year ended 31 December 2016, save as disclosed below. The adoption of the new and revised accounting standards has no material impact on the financial statements of the Group and the Company for the period ended 30 June 2017.

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Consistent with the prior year's accounting policy, the Group appraises the fair value of its biological assets only at the end of the financial year.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to point 4.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	3-month ended		6-month ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
Weighted average number of ordinary shares for basic earnings per share computation	2,374,050,505	1,401,445,464	2,374,050,505	1,401,445,464
Weighted average number of ordinary shares for diluted earnings per share computation	2,374,050,505	1,401,445,464	2,374,050,505	1,401,445,464
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
Earnings per share attributable to owners of the Company				
Basic and diluted	(13)	(39)	(19)	(86)

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

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

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
Net assets for the year attributable to owners of the Company used in computation of net asset value per share (Rp'million)	15,712	62,474	452,967	455,970
Number of ordinary shares at the end of the year	2,374,050,505	2,374,050,505	2,374,050,505	2,374,050,505
Net asset value per ordinary share (Rp full amount)	7	26	191	192

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

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

Our Group reported a net loss of Rp47 billion in 1H 2017 as compared to Rp123 billion in 1H 2016. Our Group's performance significantly improved in 1H 2017 mainly due to lower unit production costs incurred, lower staff related costs and provision of pension costs, decrease in freight costs and interest expense.

The Group reported a net loss of Rp32 billion in 2Q 2017. The performance was affected mainly by the same factors as mentioned above.

Revenue

	3-month ended			6-month ended		
	30 Jun 2017	30 Jun 2016	Change	30 Jun 2017	30 Jun 2016	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Domestic sales	457,806	498,654	(8)	1,026,864	1,098,925	(7)
Export sales	253,646	284,883	(11)	530,303	567,910	(7)
Total	711,452	783,537	(9)	1,557,167	1,666,835	(7)

Our sales volume for both domestic and export markets were relatively stable, increased by 1% in 1H and 2Q 2017, however the average selling prices for both domestic and export markets decreased by 6% and 8%, respectively, hence the overall sales revenue decreased by 7% and 9% in 1H and 2Q 2017.

Gross profit

Our gross profit significantly increased by 64% and 98% in 1H and 2Q 2017. This was due mainly to lower unit production costs incurred as a result of higher production volume, lower labour costs mainly driven by the Group's costs cutting exercise in 2016 and followed by lower overhead costs.

The Group managed to improve the gross profit margin from 7% and 5% in 1H and 2Q 2016 to 12% in 1H and 2Q 2017. The Group registered a gross profit of Rp192 billion and Rp84 billion in 1H and 2Q 2017 as compared to Rp117 billion and Rp42 billion in 1H and 2Q 2016.

Other Income

In 1H 2017, the Group recorded an exchange gain of around Rp3 billion, while in 1H 2016, the Group's exchange gain was Rp12 billion. The weakening of US Dollar has resulted in mainly unrealised foreign exchange gain due to translation of our US Dollar denominated loans.

Selling expenses

In 1H and 2Q 2017, the decrease in the selling expenses came mainly from the reduction in the freight costs, mainly due to more customers using the term of delivery of Free on Board (FOB) instead of Cost and Freight (CNF), resulting in freight costs being paid by the customers. Freight costs decreased by Rp23 billion and 7 billion compared to 1H and 2Q 2016.

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General and administrative expenses

The general and administrative expenses have decreased in 1H and 2Q 2017 compare to 1H and 2Q 2016 due mainly to decrease in staff related costs, provision of pension costs, professional fees and rental expenses.

Finance Expenses

Our finance expenses relate mainly to interest expense. In 1H 2017, our banks borrowings were reduced by the proceeds from the rights issue and the sale of PT SLJ Global Tbk's shares, and lower interest rate for IDR loans in 2Q 2017. As a result, our interest expense decreased by Rp13 billion in 1H 2017.

Other expenses

Included in other expense for 2017 was the expense for the Group's re-organisation exercise, while other expenses in 1H and 2Q 2016 came mainly from the workers separation expense.

Taxation

Our tax expenses comprise the following:

	3-month ended			6-month ended		
	30 Jun 2017	30 Jun 2016	Change	30 Jun 2017	30 Jun 2016	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Current income tax	(6,153)	(3,991)	54	(11,736)	(8,917)	32
Deferred income tax	1,852	11,215	(83)	9,787	19,637	(50)
Total	<u>(4,301)</u>	<u>7,224</u>	<u>n.m</u>	<u>(1,949)</u>	<u>10,720</u>	<u>n.m</u>

Indonesia adopts individual company income tax system.

Our effective tax rate was not aligned with statutory tax rate due mainly to certain expenses not deductible for tax purposes and losses of certain subsidiaries not recognised as deferred tax assets due to the uncertainty of its recovery.

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

Statement of Financial Position

The Group's property, plant and equipment decreased by Rp39 billion. This was due mainly to depreciation charges incurred during the year more than offset the addition of new assets amounted to Rp13 billion, primarily for production facilities due to the increase in production volume. In addition, in 4Q 2016, the Group re-designated its land and building as assets classified as held for sale as the Group plans to sell its factory and land in one of the subsidiaries. The net book value of these assets was Rp27 billion.

Deferred tax assets increased by Rp8 billion. This came mainly due to write-down of deferred tax liabilities from a certain subsidiary and additional deferred tax assets from the post-employment benefits expenses.

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Other non-current assets increased by Rp9 billion. This was mainly due to increase in estimated tax refund.

In 1H 2017, our Group's current assets have slightly increased to Rp850 billion. The increase was due mainly to:

1. higher inventory level as a result of higher production volume and delay sales to the following month due to long "Lebaran" holiday near the end of the reporting period;
2. prepaid operating expenses for thirteen month bonus amortised until end of 2017; and
3. higher advance to suppliers for logs and veneer to get a lower cost and advances to new suppliers.

the increase in the above was partially offset by the following:

1. decrease in trade receivables mainly due to higher collections prior to long "Lebaran" holiday near the end of the reporting period; and
2. lower cash and bank balances - see explanation in cash flows.

As at 30 June 2017, our Group's current liabilities have increased by Rp80 billion to Rp1,031 billion. This was contributed mainly by the increase in the short-term borrowings as well as long term borrowings due within 12 months totaling Rp96 billion and increase in post-employment benefits liability, offset by the decrease in trade and other payables of Rp57 billion mainly due to timely payment to suppliers compare to previous period, decrease in accruals for wages and thirteen month bonus, and decrease in professional fees.

For the same period ended, the non-current liabilities have decreased by Rp54 billion to Rp493 billion. This was mainly due to decrease in loans and borrowings - mainly due to reclassification to current liabilities for loans and borrowings due within 12 months as mentioned above.

Statement of Cash Flow

During the period, the Group generated cash inflow of Rp24 billion from financing activities and incurred cash outflow of Rp63 billion and Rp13 billion from operating and investing activities, respectively. Net cash decreased by Rp52 billion.

Our operating cash flow before changes in working capital was significantly higher than previous period. This is attributable to improved operating margin caused by lower production costs and lower operating expenses incurred. In addition, cash generated was mainly used to support our working capital including paying our trade payables and to support higher inventories.

Our cash used in the investing activities was mainly for addition of property, plant and equipment.

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

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

Not applicable.

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

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

Indonesia Rupiah to US Dollar exchange rates	(Weakened) / strengthened	Loss after tax for the period Rp47 billion (Increase)/ decrease
<i>Rp'full amount</i>		<i>Rp'million</i>
14,318	(7.5%)	(28,047)
13,985	(5.0%)	(18,698)
13,652	(2.5%)	(9,349)
12,986	2.5%	9,349
12,653	5.0%	18,698
12,320	7.5%	28,047

Our US\$ loans as at 30 June 2017 US\$37 million.

Exchange rate:	<u>Rp/US\$1</u>
- 11 August 2017	Rp13,370
- 30 June 2017	Rp13,319
- 31 December 2016	Rp13,436
- 30 June 2016	Rp13,180

- 2) We expect the government spending on infrastructure projects in Indonesia will spur the local economy, and hence accelerate local demand for our products. We also expect demand from our overseas market to be stable.
- 3) As we are increasing our production volume to meet demand, we face the risk of interrupted supplies of raw materials due to extreme weather condition in some parts of Indonesia.
- 4) To improve our liquidity, in 2016, we have successfully completed the disposal of a non-core asset, the shares in PT SLJ Global Tbk, and raised additional funding through a right issue. We have raised a total Rp408 billion through these exercises. In 2017, we will continue divesting our investment in non-core assets. One of the assets available for sale are factory and land located in Balaraja, Tangerang, West Java. Although these actions may somewhat allay some of our liquidity pressures, the Group will continue to monitor the situation and undertake to dispose of other non-core assets and to raise debt funding as and when necessary.
- 5) We have substantially completed our labor rationalisation in 2016. As a result, this has improved our gross profit margin in 2017, however we will remain cautious of the rising production costs, continue to be discipline in managing costs, and explore opportunities to be more competitive.

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11. Dividend.

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend for financial period ended 30 June 2017 has been declared.

13. Interested person transactions.

The following is the aggregate value of all transactions with interested persons for the period ended 30 June 2017:

<i>Name of interested person</i>	<i>Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</i>	<i>Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</i>
	<i>Rp'million</i>	<i>Rp'million</i>
PT Sampoerna Land <i>Office rental</i>	2,461	-
PT Bank Sahabat Sampoerna <i>Finance expense</i>	2,378	-
PT Pelayaran Nelly Dwi Putri <i>Freight expense</i>	160	-

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

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

The Company has obtained shareholders' mandates under Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited at the Extraordinary General Meeting on 28 April 2017.

14. Statement by Directors pursuant to Rule 705(5) of the SGX Listing Manual

We, Eka Dharmajanto Kasih and Riko Setyabudhy Handoko, being two Directors of Samko Timber Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Directors of the Company, which may render the unaudited financial statements for the second quarter ended 30 June 2017 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
11 August 2017