

SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

Unaudited Full Year Financial Statements and Dividend Announcement for the Year Ended 31 December 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

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

	Group		
	31 Dec 2017	31 Dec 2016	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%
Revenue	3,474,544	3,116,088	12
Cost of sales	(2,978,510)	(2,855,731)	4
Gross profit	496,034	260,357	91
Other items of income			
Interest income	463	671	(31)
Other income	4,382	104,058	(96)
Other items of expenses			
Selling expenses	(108,544)	(118,126)	(8)
General and administrative expenses	(291,064)	(340,278)	(14)
Finance expenses	(86,261)	(100,114)	(14)
Other expenses	(43,949)	(140,391)	(69)
Loss before tax	(28,939)	(333,823)	(91)
Taxation	56,149	(73,556)	n.m
Net income (loss) for the year	27,210	(407,379)	n.m
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net actuarial (loss) gain on post-employment benefits	(4,195)	8,235	n.m
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation (loss) gain	(3,674)	387	n.m
Total comprehensive income for the year	19,341	(398,757)	n.m
Net loss attributable to:			
Owners of the Company	30,092	(403,364)	n.m
Non-controlling interests	(2,882)	(4,015)	(28)
	27,210	(407,379)	n.m
Total comprehensive income attributable to:			
Owners of the Company	22,317	(394,666)	n.m
Non-controlling interests	(2,976)	(4,091)	(27)
	19,341	(398,757)	n.m

n.m : not meaningful

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

	Group		
	31 Dec 2017	31 Dec 2016	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%
Depreciation of property, plant and equipment	(88,997) *	(110,584)	(20)
Interest expenses	(79,333)	(94,221)	(16)
Post employment benefit expenses	(44,669)	(41,543)	8
Expense for the Group's re-organisation exercise *)	(33,684)	-	n.m
Allowance for doubtful receivables	(4,962)	(3,224)	54
Workers separation expenses	(4,297)	(86,917)	(95)
Amortisation of land use rights	(3,494)	(3,776)	(7)
Net foreign exchange (loss) gain	(247)	6,040	n.m
Inventories written-down	(104) *	(445)	(77)
Gain (loss) on change in fair value of biological assets	2,024	(5,853)	n.m
Recovery of (allowance for) advance to suppliers	2,095	(528)	n.m
Interest income	463	671	(31)
Net gain on disposal of property, plant and equipment	264	2,329	(89)
Net gain on disposal of investment	-	95,689	(100)
Net VAT receivable written-off	-	(40,740)	(100)
Impairment of fixed assets	-	(1,244)	(100)

*) Included in "Other expenses"

n.m : not meaningful

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

	Group		Company	
	31 Dec 2017	31 Dec 2016	31 Dec 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	502,306	558,243	-	32
Investment in subsidiary companies	-	-	437,486	126,076
Biological assets	51,454	49,971	-	-
Land use rights	57,877	61,372	-	-
Deferred tax assets	111,318	40,755	-	-
Other non-current assets	17,194	7,322	-	311,410 ⁽¹⁾
	740,149	717,663	437,486	437,518
Current assets				
Inventories	496,809	510,436	-	-
Trade and other receivables	269,131	175,196	35,624	32,670
Prepaid operating expenses	35,176	47,442	394	410
Advances to suppliers	58,246	17,870	-	-
Restricted deposits	12,987	12,555	-	-
Cash and cash equivalents	33,905	58,724	2,597	4,543
	906,254	822,223	38,615	37,623
Assets classified as held for sale	29,840	26,865	-	-
	936,094	849,088	38,615	37,623
Current liabilities				
Trade and other payables	283,433	277,723	20,766	12,844
Other liabilities	124,239	147,352	3,294	6,327
Advances from customers	86,050	12,439	-	-
Provision for taxation	13,442	10,963	-	-
Loans and borrowings	647,122	502,499	-	-
	1,154,286	950,976	24,060	19,171
Net current (liabilities) assets	(218,192)	(101,888)	14,555	18,452
Non-current liabilities				
Loans and borrowings	181,062	329,033	-	-
Post-employment benefits	254,324	215,845	-	-
Deferred tax liabilities	-	1,667	-	-
	435,386	546,545	-	-
Net assets	86,571	69,230	452,041	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	(2,739,797)	(2,765,786)	(2,049,117)	(2,045,086)
Other reserves	323,485	327,204	102	-
	84,744	62,474	452,041	455,970
Non-controlling interests	1,827	6,756	-	-
	86,571	69,230	452,041	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 and recorded as the Company's investment in subsidiary companies.

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

Amount repayable in one year or less, or on demand

As at 31 Dec 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>
633,716	13,406	502,499	-

Amount repayable after one year

As at 31 Dec 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>
181,062	-	329,033	-

Details of collaterals

As at 31 December 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 year 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 waiver 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.

	Group	
	31-Dec-17	31-Dec-16
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from operating activities		
Loss before tax	(28,939)	(333,823)
Adjustments:		
Depreciation of property, plant and equipment	88,997	110,584
Interest expense	79,333	94,221
Post-employment benefits expense	44,669	41,543
Allowance for doubtful receivables	4,962	3,224
Amortisation of land use rights	3,494	3,776
Foreign exchange (loss) gain	989	(13,708)
Inventories written-down	104	445
Gain on disposal of property, plant and equipment	(264)	(2,329)
Interest income	(463)	(671)
(Recovery of) allowance for advance to suppliers	(2,095)	528
(Gain) loss on change in fair value of biological assets	(2,024)	5,853
Impairment of property, plant and equipment	-	1,244
Net VAT receivable written-off	-	40,740
Net gain on disposal of investment	-	(95,689)
Operating cash flow before changes in working capital	188,763	(144,062)
Changes in working capital :		
Inventories	13,523	57,094
Trade and other receivables	(98,184)	60,289
Prepaid operating expenses	11,944	(51,031)
Advances to suppliers	(38,281)	4,451
Trade and other payable	5,710	(61,691)
Other liabilities	(27,754)	20,389
Advance from customers	73,611	(15,058)
Other non-current assets	(315)	230
Cash flow provided by (used in) operations	129,017	(129,389)
Income tax (paid) refunded	(15,940)	10,355
Post-employment benefit paid	(12,934)	(57,460)
Net cash flows provided by (used in) operating activities	100,143	(176,494)
Cash flows from investing activities		
Purchase of property, plant and equipment	(37,306)	(24,155)
Additions of biological assets	(172)	(221)
Proceeds from disposal of property, plant and equipment	659	7,209
Interest received	463	671
Proceeds from disposal of available for sale investment	-	95,689
Net cash flows (used in) provided by investing activities	(36,356)	79,193

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	Group	
	31-Dec-17	31-Dec-16
	<i>Rp'million</i>	<i>Rp'million</i>
Cash flows from financing activities		
Drawdown of loans and borrowings	2,021,207	1,999,702
Repayment of loans and borrowings	(2,050,510)	(2,162,969)
Interest paid	(70,575)	(84,778)
Proceeds from issuance of new shares, net of expenses of Rp5 billion	-	312,411
Acquisition of non-controlling interest without a change in control	(2,000)	-
Placement of restricted deposits	(367)	(5,065)
	<hr/>	<hr/>
Net cash flows (used in) provided by financing activities	(102,245)	59,301
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(38,458)	(38,000)
Effect of exchange rate changes on cash and cash equivalents	233	(419)
Cash and cash equivalents at beginning of year	58,724	91,075
	<hr/>	<hr/>
Cash and cash equivalents at end of year	<u>20,499</u>	<u>52,656</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	33,905	58,724
Less: Bank overdraft	(13,406)	(6,068)
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	<u>20,499</u>	<u>52,656</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	Premium paid on acquisition of non-controlling interest	Foreign currency translation reserve	Total		
				Rp million	Rp million			
Rp'million	Rp'million	Rp'million	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
Income (loss) for the year	-	30,092	-	-	-	30,092	(2,882)	27,210
Other comprehensive income for the year:								
- Net actuarial loss on post-employment benefits	-	(4,103)	-	-	-	(4,103)	(92)	(4,195)
- Foreign currency translation loss	-	-	-	-	(3,672)	(3,672)	(2)	(3,674)
Other comprehensive income for the year, net of tax	-	(4,103)	-	-	(3,672)	(7,775)	(94)	(7,869)
Total comprehensive income for the year	-	25,989	-	-	(3,672)	22,317	(2,976)	19,341
Changes in ownership interests in subsidiaries:								
- Acquisition of non-controlling interest without a change in control	-	-	-	(47)	-	(47)	(1,953)	(2,000)
Total changes in ownership interests in subsidiaries:	-	-	-	(47)	-	(47)	(1,953)	(2,000)
Balance at 31 Dec 2017	2,501,056	(2,739,797)	309,050	(47)	14,482	84,744	1,827	86,571
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	-	(403,364)	-	-	-	(403,364)	(4,015)	(407,379)
Other comprehensive income for the year:								
- Net actuarial gain (loss) on post-employment benefits	-	8,317	-	-	-	8,317	(82)	8,235
- Foreign currency translation gain	-	-	-	-	381	381	6	387
Other comprehensive income for the year, net of tax	-	8,317	-	-	381	8,698	(76)	8,622
Total comprehensive income for the year	-	(395,047)	-	-	381	(394,666)	(4,091)	(398,757)
Contributions by and distributions to owners:								
- Issuance of new ordinary shares under Rights Issue	317,400	-	-	-	-	317,400	-	317,400
- Share issuance expense	(4,989)	-	-	-	-	(4,989)	-	(4,989)
Total contributions by and distributions to owners	312,411	-	-	-	-	312,411	-	312,411
Balance at 31 Dec 2016	2,501,056	(2,765,786)	309,050	-	18,154	62,474	6,756	69,230

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	Attributable to owners of the Company			
	Share capital	Accumulated losses	Foreign currency translation reserve	Total
	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
Balance at 1 Jan 2017	2,501,056	(2,045,086)	-	455,970
Total comprehensive income for the year	-	(4,031)	102	(3,929)
Balance at 31 Dec 2017	2,501,056	(2,049,117)	102	452,041
Balance at 1 Jan 2016	2,188,645	(2,033,832)	-	154,813
Issuance of new ordinary shares under Rights Issue	317,400	-	-	317,400
Share issuance expense	(4,989)	-	-	(4,989)
Total comprehensive income for the year	-	(11,254)	-	(11,254)
Balance at 31 Dec 2016	2,501,056	(2,045,086)	-	455,970

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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 31 December 2017 and 2016	<u>2,374,050,505</u>

The Company did not have any treasury shares, subsidiary holdings or other convertibles as at 31 December 2017 and 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 year reported on.

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

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

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

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

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

Not applicable.

- 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 year ended 31 December 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.**

	Group	
	31 Dec 2017	31 Dec 2016
Weighted average number of ordinary shares for basic earnings per share computation	2,374,050,505	1,433,421,520
Weighted average number of ordinary shares for diluted earnings per share computation	2,374,050,505	1,433,421,520
	Rp (full amount)	Rp (full amount)
Earnings per share attributable to owners of the Company		
Basic and diluted	13	(281)

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	
	31 Dec 2017	31 Dec 2016	31 Dec 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)	84,744	62,474	452,041	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)	36	26	190	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 income of Rp27 billion in 2017 as compared to a net loss of Rp407 billion in 2016. Our Group's performance significantly improved in 2017 mainly due to higher sales volume, lower unit production costs, lower staff related costs and professional fees, decrease in freight costs and interest expense, while the losses for 2016 included workers separation expenses, one off tax assets written-off arising from re-organisation of operations, offset by the gain on disposal of investment in PT SLJ Global Tbk.

In 4Q 2017, the Group registered a net income of Rp50 billion, compared to a net loss of Rp180 billion in 4Q 2016. The performance was mainly affected by higher sales volume, lower unit production costs, lower staff related costs and professional fees, and decrease in interest expense, as mentioned above.

Revenue

	Group		
	31 Dec 2017	31 Dec 2016	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Domestic sales	2,196,016	2,122,933	3
Export sales	1,278,528	993,155	29
Total	3,474,544	3,116,088	12

Our sales continued to perform well. In 2017, our sales increased by 12% to Rp3,474 billion compare to 2016, amid the increase in sales volume for both domestic and export markets by 10% and 39%, respectively, while the total average selling prices were slightly down by 4%. In 4Q 2017, our export sales volume jump by 87%, while the domestic sales volume rose by 9%.

The composition of our export sales to overall sales increase from 32% to 37% in 2017 and from 26% to 40% in 4Q 2017.

Gross profit

The Group boost its gross profit by 91% in 2017 and 58% in 4Q 2017, due mainly to higher sales generated particularly from the sales volume, and supported by 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 8% in 2016 to 14% in 2017 and registered a gross profit of Rp496 billion in 2017 as compared to Rp260 billion in 2016.

Other Income

In 2017, other income came mainly from fair value gain of biological asset of Rp2 billion and the recovery of advance to suppliers of Rp2 billion, while in 2016, came mainly from the gain on disposal of investment in PT SLJ Global Tbk of Rp96 billion, foreign exchange gain of Rp6 billion, and net gain on disposal of property, plant and equipment of Rp2 billion, respectively.

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Selling expenses

In 2017, the decrease in the selling expenses came mainly from the reduction in the freight costs, because more customers were 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. In 4Q 2017, our selling expenses increased mainly due to increase in freight costs in line with the increase in export sales.

General and administrative expenses

The general and administrative expenses have decreased over that of previous year due mainly to decrease in staff related costs, professional fees, and rental expenses, offset by higher pension costs.

Finance Expenses

Our finance expenses relate mainly to interest expense. The decrease was mainly due to lower interest rate for IDR loans.

Other expenses

Included in other expense in 2016 was the workers separation expense and one off VAT receivable written-off, while in 2017, other expenses mainly came from the expense for the Group's re-organisation exercise, allowance for doubtful receivables and net foreign exchange losses.

Taxation

Our taxation comprise the following:

	Group		
	31 Dec 2017	31 Dec 2016	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%
Current income tax:			
- Current tax expense	(14,287)	(10,742)	33
- Impairment of prepaid taxes	-	(35,602)	(100)
- Under provision of prior year taxes	(151)	-	n.m
	<u>(14,438)</u>	<u>(46,344)</u>	<u>(69)</u>
Deferred income tax:			
- Current year addition	11,339	(593)	n.m
- Recognise prior years' deferred tax assets	59,247	-	n.m
- Impairment during the year	-	(26,619)	(100)
	<u>70,586</u>	<u>(27,212)</u>	<u>n.m</u>
Total	<u>56,148</u>	<u>(73,556)</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.

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In 2016, the Group impaired prepaid taxes and deferred tax assets amounted to Rp36 billion and Rp27 billion, respectively, as a result of the Group's re-organisation exercise, however based the current performance and future projections, the Management was confident that the Group will be able to utilise the tax losses carried forward for the coming years, therefore decided to recognise the prior years' deferred tax assets amounted to Rp59 billion in 2017.

(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 Rp56 billion. This was due mainly to depreciation charges during the year offset by the addition of assets amounted to Rp36 billion, primarily for production facilities due to the increase in production volume, office renovation, and the ERP/SAP infrastructures. In addition, 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 Rp30 billion.

Deferred tax assets increased by Rp71 billion. This came mainly due to recognition of tax losses and post-employment benefits.

Other non-current assets increased by Rp10 billion. This was mainly due to increase in estimated tax refund.

In 2017, our Group's current assets have increased to Rp936 billion. The increase was mainly due to:

1. increase in trade receivables which is in line with the increase in sales; and
2. higher advance to suppliers for logs and veneer to get a lower cost of logs and veneer.

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

1. lower inventory level as a result of higher domestic and export sales;
2. lower prepaid operating expenses. Prepayments were made in the ordinary course of business mainly for rental, insurance, and VAT receivables, and previous year balance includes prepayment for the Group's re-organisation exercise which was charged to expense in 2017; and
3. lower cash and bank balances owing mainly to higher working capital used.

As at 31 December 2017, our Group's current and non-current liabilities have increased by Rp92 billion to Rp1,590 billion. This was contributed mainly by the increase in advance from customers of Rp74 billion and trade and other payables of Rp6 billion, respectively, due to ordinary course of business, and increase in post-employment benefits liability by Rp37 billion, offset by decrease in the loans and borrowings totaling Rp3 billion and other liabilities by Rp23 billion.

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Statement of Cash Flow

During the year, the Group generated cash inflow of Rp100 billion from operating activities and incurred cash outflow of Rp36 billion and Rp102 billion from investing and financing activities, respectively. Net cash decreased by Rp38 billion.

Our operating cash flow before changes in working capital was significantly higher than prior year, resulting in positive net cash inflows from operations. This is attributable to improved operating margin caused by higher sales volume, lower production costs, and lower operating expenses incurred. In addition, cash generated was mainly used to support our working capital and higher sales and receivables.

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

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

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

Not applicable.

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

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

Indonesia Rupiah to US Dollar exchange rates	(Weakened) / strengthened	Profit after tax for the period
		Rp27 billion (Increase)/ decrease
<i>Rp'full amount</i>		Rp'million
14,564	(7.5%)	(25,751)
14,225	(5.0%)	(17,168)
13,887	(2.5%)	(8,584)
13,209	2.5%	8,584
12,871	5.0%	17,168
12,532	7.5%	25,751

Our US\$ loans as at 31 December 2017 US\$34 million.

Exchange rate:	<u>Rp/US\$1</u>
- 28 February 2018	Rp13,707
- 31 December 2017	Rp13,548
- 31 December 2016	Rp13,436

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- 2) We have substantially completed our labor rationalisation in 2016. As a result, this has improved our gross profit margin in 2017, however we remain cautious of the rising production costs, continue to be discipline in managing costs, and explore opportunities to be more competitive in the challenging market outlook.
- 3) We expect the government spending on infrastructure projects in Indonesia will spur the local economy, and hence accelerate local demand for our products. We have also received positive feedbacks from overseas markets and anticipate to increase our production capacity to cater for potential increase in the demands. We will continue to explore new market, develop and be innovative in our product offerings.

As we are increasing our production volume to meet demand, we may face the risk of interrupted supplies of raw materials due to extreme weather condition in some parts of Indonesia. During the year, the Group has taken steps to increase the productivity of the plywood business resulting in higher output and lower production costs. These steps are ongoing and are expected to continue producing positive results.

- 4) The Group has also undertaken an internal restructuring which involves the merger of certain Group's subsidiaries in Indonesia into one entity, PT Sumber Graha Sejahtera, as part of the Group's effort to streamline and rationalise the Group's structure, strengthen the corporate branding, and improve business and tax efficiency.
- 5) To improve our liquidity, in 2016, we have successfully completed the disposal of 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 continued to divest our investment in non-core assets to strengthen the Group's financial position. We have reached an agreement to sell our factory and land located in Balaraja, Tangerang, West Java, and we are expecting to close the transaction in the first half of 2018.

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 year ended 31 December 2017 has been declared.

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13. Interested person transactions.

The following is the aggregate value of all transactions with interested persons for the year ended 31 December 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>	6,401	-
PT Bank Sahabat Sampoerna		
<i>Finance expense</i>	5,137	-
PT Pelayaran Nelly Dwi Putri		
<i>Freight expense</i>	1,583	1,419
PT Basirih Industrial		
<i>Purchase of veneer</i>	2,496	-
PT Wijaya Triutama Plywood Industri		
<i>Purchase of veneer</i>	-	1,159

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

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

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

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PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

Year end 31 December 2017	Group			
	SGS division <i>Rp'million</i>	ST division <i>Rp'million</i>	Elimination <i>Rp'million</i>	Total <i>Rp'million</i>
Revenue:				
External customers	1,880,350	1,594,194	-	3,474,544
Inter-segment	1,479,658	1,156	(1,480,814)	-
Total revenue	3,360,008	1,595,350	(1,480,814)	3,474,544
Results:				
Finance income	456	7	-	463
Finance expenses	(69,287)	(16,974)	-	(86,261)
Depreciation of property, plant and equipment	(87,858)	(1,139)	-	(88,997)
Expense for the Group's re-organisation exercise	(33,684)	-	-	(33,684)
Amortisation of land use rights	(3,494)	-	-	(3,494)
Gain on change in fair value of biological assets	2,024	-	-	2,024
Post employment benefits expenses	(44,658)	(11)	-	(44,669)
Recovery of advance to suppliers	2,095	-	-	2,095
Bad debt expenses	(1,980)	(2,982)	-	(4,962)
Inventories written-down	(104)	-	-	(104)
Tax benefit (expenses)	61,437	(5,288)	-	56,149
Segment profit	(1,901)	29,111	-	27,210

Year end 31 December 2016	Group			
	SGS division <i>Rp'million</i>	ST division <i>Rp'million</i>	Elimination <i>Rp'million</i>	Total <i>Rp'million</i>
Revenue:				
Sales to external customers	1,826,712	1,289,376	-	3,116,088
Inter-segment sales	1,205,351	1,495	(1,206,846)	-
Total revenue	3,032,063	1,290,871	(1,206,846)	3,116,088
Results:				
Interest income	648	23	-	671
Finance expense	(84,413)	(15,701)	-	(100,114)
Depreciation of property, plant and equipment	(108,678)	(1,906)	-	(110,584)
Amortisation of land use rights	(3,965)	189	-	(3,776)
Loss on change in fair value of biological assets	(5,853)	-	-	(5,853)
Post employment benefits expenses	(41,543)	-	-	(41,543)
Net gain on disposal of investment	95,689	-	-	95,689
Workers separation expenses	(85,267)	(1,650)	-	(86,917)
Allowance for doubtful receivables	(1,824)	(1,400)	-	(3,224)
Tax expenses	(69,025)	(4,531)	-	(73,556)
Segment loss	(375,999)	(31,380)	-	(407,379)

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

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

Geographical segments

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

	Group	
	2017	2016
	<i>Rp'million</i>	<i>Rp'million</i>
Indonesia	1,715,712	1,677,680
North Asia	844,628	683,896
Malaysia	478,906	402,053
United States of America	195,991	23,325
Singapore	130,736	168,354
Middle East	45,967	57,524
Europe	31,055	35,673
South East Asia	18,963	21,774
Australia	11,233	10,162
North East Asia	-	28,845
Others	1,353	6,802
	<u>3,474,544</u>	<u>3,116,088</u>

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

Please refer to section 8.

17. A breakdown of sales.

	Group		
	31 Dec 2017	31 Dec 2016	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%
Revenue:			
- First quarter	845,715	883,298	-4%
- Second quarter	711,452	783,537	-9%
- Third quarter	927,299	681,521	36%
- Fourth quarter	990,078	767,732	29%
	<u>3,474,544</u>	<u>3,116,088</u>	<u>12%</u>

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	Group		
	31 Dec 2017	31 Dec 2016	Change
	<i>Rp'million</i>	<i>Rp'million</i>	<i>%</i>
Operating income (loss) after tax before deducting non-controlling interest:			
- First quarter	(15,441)	(67,110)	-77%
- Second quarter	(32,058)	(55,776)	-43%
- Third quarter	24,951	(104,227)	n.m
- Fourth quarter	49,758	(180,266)	n.m
	<u>27,210</u>	<u>(407,379)</u>	<u>n.m</u>

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

No dividend has been declared.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

The Board of Directors of Samko Timber Limited ("the Company") wishes to confirm that there are no persons occupying managerial positions in the Company or any of its principal subsidiaries during the financial year ended 31 December 2017 who are related to a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
28 February 2018