

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Unaudited Third Quarter Financial Statement and Dividend Announcement for the Period Ended 30/09/2015

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF THIRD QUARTER RESULTS

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

Group	3-month ended			9-month ended		
	30-09-2015	30-09-2014	Change	30-09-2015	30-09-2014	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	824,929	743,371	11	2,473,937	2,331,952	6
Cost of sales	(734,638)	(633,665)	16	(2,148,727)	(1,959,715)	10
<b>Gross profit</b>	<b>90,291</b>	<b>109,706</b>	<b>(18)</b>	<b>325,210</b>	<b>372,237</b>	<b>(13)</b>
<b>Other items of income</b>						
Interest income	143	138	4	419	454	(8)
Other income	2,584	538	380	4,354	2,950	48
<b>Other items of expenses</b>						
Selling expenses	(43,114)	(31,772)	36	(117,807)	(101,643)	16
General & administrative expenses	(81,314)	(71,169)	14	(228,556)	(197,284)	16
Finance expenses	(24,623)	(16,881)	46	(65,565)	(46,711)	40
Other expenses	(102,145)	(17,412)	487	(180,330)	(30,211)	497
<b>Loss before tax</b>	<b>(158,178)</b>	<b>(26,852)</b>	<b>489</b>	<b>(262,275)</b>	<b>(208)</b>	<b>125,994</b>
Taxation	230	2,489	(91)	(9,296)	(10,780)	(14)
<b>Net loss for the period</b>	<b>(157,948)</b>	<b>(24,363)</b>	<b>548</b>	<b>(271,571)</b>	<b>(10,988)</b>	<b>2,372</b>
<b>Other comprehensive income:</b>						
<b>Items that will not be reclassified to profit or loss:</b>						
Net actuarial loss on post-employment benefits	(1,344)	(865)	55	(4,054)	(2,470)	64
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Foreign currency translation (loss) gain	(15,184)	(2,742)	454	(15,073)	4,654	n.m
<b>Total comprehensive income for the period</b>	<b>(174,476)</b>	<b>(27,970)</b>	<b>524</b>	<b>(290,698)</b>	<b>(8,804)</b>	<b>3,202</b>
<b>Net loss attributable to:</b>						
Owners of the Company	(157,214)	(23,167)	579	(271,202)	(9,514)	2,751
Non-controlling interests	(734)	(1,196)	(39)	(369)	(1,474)	(75)
	<b>(157,948)</b>	<b>(24,363)</b>	<b>548</b>	<b>(271,571)</b>	<b>(10,988)</b>	<b>2,372</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	(173,737)	(26,769)	549	(290,293)	(7,316)	3,868
Non-controlling interests	(739)	(1,201)	(38)	(405)	(1,488)	(73)
	<b>(174,476)</b>	<b>(27,970)</b>	<b>524</b>	<b>(290,698)</b>	<b>(8,804)</b>	<b>3,202</b>

n.m : not meaningful

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

Group	3-month ended			9-month ended			
	30-09-2015		30-09-2014	Change	30-09-2015		30-09-2014
	Rp'million	Rp'million	%	Rp'million	Rp'million	%	
Loss on foreign exchange, net	(50,551)	(13,490)	275	(88,942)	(17,967)	395	
Depreciation of property, plant and equipment	(35,441)	(27,022)	31	(99,151)	(83,293)	19	
Impairment of intangible assets	(34,915)	-	n.m	(34,915)	-	n.m	
Interest expense	(23,330)	(16,144)	45	(60,514)	(43,841)	38	
Allowance for irrecoverable advance to suppliers	(9,428)	-	n.m	(9,428)	-	n.m	
Post employment benefits expenses	(9,871)	(7,860)	26	(29,613)	(25,282)	17	
Inventories written-down	(2,357)	-	n.m	(32,596)	-	n.m	
Amortisation of land use rights	(1,323)	(1,777)	(26)	(3,270)	(3,263)	0	
Allowance for doubtful receivables	(609)	(213)	186	(3,266)	(874)	274	
Amortisation of intangible assets	(333)	(75)	344	(992)	(729)	36	
Gain on disposal of property, plant and equipment	1,520	284	435	1,686	324	420	
Workers voluntarily separation expenses	-	-	-	-	(5,526)	(100)	
Insurance claim	-	-	-	-	1,107	(100)	

n.m : not meaningful

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

	Group		Company	
	30/09/2015	31/12/2014	30/09/2015	31/12/2014
	Rp'million	Rp'million	Rp'million	Rp'million
<b>Non-current assets</b>				
Property, plant and equipment	<b>674,395</b>	679,537	<b>171</b>	236
Intangible assets <sup>(1)</sup>	-	35,825	-	-
Investment in subsidiary companies	-	-	<b>620,449</b>	620,449
Investment in an associate <sup>(2)</sup>	-	-	-	-
Biological assets	<b>57,776</b>	55,500	-	-
Land use rights	<b>67,509</b>	67,806	-	-
Deferred tax assets	<b>96,865</b>	93,241	<b>812</b>	-
Other non-current assets	<b>41,895</b>	43,222	-	9
	<b>938,440</b>	975,131	<b>621,432</b>	620,694
<b>Current assets</b>				
Inventories	<b>661,751</b>	596,073	-	-
Trade and other receivables	<b>262,283</b>	234,526	<b>44,613</b>	45,986
Prepaid operating expenses	<b>75,896</b>	55,865	<b>738</b>	484
Advances to suppliers	<b>59,296</b>	65,332	-	361
Restricted deposits	<b>7,725</b>	7,589	-	-
Cash and cash equivalents	<b>65,189</b>	107,073	<b>3,306</b>	7,276
	<b>1,132,140</b>	1,066,458	<b>48,657</b>	54,107
<b>Current liabilities</b>				
Trade and other payables	<b>340,240</b>	258,152	<b>14,492</b>	14,685
Other liabilities	<b>124,972</b>	136,227	<b>2,815</b>	3,807
Advances from customers	<b>20,671</b>	15,045	<b>1,363</b>	995
Provision for taxation	<b>11,439</b>	21,317	-	-
Loans and borrowings	<b>511,340</b>	367,385	-	-
	<b>1,008,662</b>	798,126	<b>18,670</b>	19,487
<b>Net current assets</b>				
	<b>123,478</b>	268,332	<b>29,987</b>	34,620
<b>Non-current liabilities</b>				
Loans and borrowings	<b>487,997</b>	410,026	-	-
Post-employment benefits	<b>248,921</b>	217,544	-	-
Deferred tax liabilities	<b>2,197</b>	2,392	-	-
	<b>739,115</b>	629,962	-	-
<b>Net assets</b>				
	<b>322,803</b>	613,501	<b>651,419</b>	655,314
<b>Equity attributable to owners of the Company</b>				
Share capital	<b>2,188,645</b>	2,188,645	<b>2,188,645</b>	2,188,645
Accumulated losses	<b>(2,172,045)</b>	(1,896,810)	<b>(1,537,226)</b>	(1,533,331)
Other reserves	<b>297,190</b>	312,248	-	-
	<b>313,790</b>	604,083	<b>651,419</b>	655,314
<b>Non-controlling interests</b>				
	<b>9,013</b>	9,418	-	-
	<b>322,803</b>	613,501	<b>651,419</b>	655,314

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## Notes:

- (1) Included in the intangible assets in the prior year, is goodwill arising from the acquisition of subsidiaries of Rp25,992 million. These assets have been fully impaired in this quarter.
- (2) Represents the Company's 24.6% investment in PT SLJ Global Tbk (formerly PT Sumalindo Lestari Jaya Tbk) through a subsidiary. Full provision of impairment has been made for this investment previously.

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

#### Amount repayable in one year or less, or on demand

As at 30/09/2015		As at 31/12/2014	
Secured Rp'million	Unsecured Rp'million	Secured Rp'million	Unsecured Rp'million
511,340	-	367,385	-

#### Amount repayable after one year

As at 30/09/2015		As at 31/12/2014	
Secured Rp'million	Unsecured Rp'million	Secured Rp'million	Unsecured Rp'million
487,997	-	410,026	-

#### Details of collaterals

As at 30 September 2015, 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.

During this quarter, a subsidiary of the Group has not complied with certain financial covenant ratios as set out in the agreement with one of its lenders. Management is in discussion with the lender and believes that the lender will continue to support the subsidiary as there is no loans repayment default and the breach is technical in nature. The subsidiary has been servicing the repayment of the loan principal and its interest as and when they fall due and the utilization of the borrowing facilities continued as usual as of the date of this announcement.

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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	<b>9-month ended</b>	
	<b>30-09-15</b>	<b>30-09-14</b>
	<i>Rp'million</i>	<i>Rp'million</i>
<b>Cash flows from operating activities</b>		
Loss before tax	(262,275)	(208)
Adjustments:		
Depreciation of property, plant and equipment	99,151	83,293
Foreign exchange loss	73,094	7,788
Interest expense	60,514	43,841
Impairment of intangible assets	34,915	-
Inventories written-down	32,596	-
Post-employment benefits expense	29,613	25,282
Allowance for doubtful advance to suppliers	9,428	-
Allowance for doubtful receivables	3,266	874
Amortisation of land use rights	3,270	3,263
Amortisation of intangible assets	992	729
Interest income	(419)	(454)
Gain on disposal of property, plant and equipment	(1,686)	(324)
<b>Operating cash flow before changes in working capital</b>	<b>82,459</b>	<b>164,084</b>
<b>Changes in working capital :</b>		
Inventories	(98,274)	(168,375)
Trade and other receivables	(31,023)	(57,360)
Prepaid operating expenses	(20,031)	(40,823)
Advances to suppliers	(3,392)	17,445
Trade and other payable	82,088	52,262
Other liabilities	(14,507)	9,952
Advance from customers	5,626	4,999
Other non-current assets	(19,018)	1,823
<b>Cash flow used in operations</b>	<b>(16,072)</b>	<b>(15,993)</b>
Income tax paid, net of refund	(21,913)	(8,118)
Post-employment benefit paid	-	(3,472)
<b>Net cash flows used in operating activities</b>	<b>(37,985)</b>	<b>(27,583)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (Note (i))	(73,930)	(139,226)
Additions of land use rights	(2,060)	(983)
Additions of biological assets	(2,276)	(3,795)
Interest received	419	454
Proceeds from disposal of property, plant and equipment	1,686	698
<b>Net cash flows used in investing activities</b>	<b>(76,161)</b>	<b>(142,852)</b>

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Group	9-month ended	
	30-09-2015	30-09-2014
	Rp'million	Rp'million
<b>Cash flows from financing activities</b>		
Drawdown of loans and borrowings	1,635,264	1,545,068
Repayment of loans and borrowings	(1,511,422)	(1,355,261)
Interest paid	(53,936)	(42,549)
Withdrawal of restricted deposits	301	20,421
<b>Net cash flows provided by financing activities</b>	<b>70,207</b>	<b>167,679</b>
Net decrease in cash and cash equivalents	(43,939)	(2,756)
Effect of exchange rate changes on cash and cash equivalent	2,055	28
Cash and cash equivalents at beginning of period	107,073	102,841
Cash and cash equivalents at end of period	<b>65,189</b>	<b>100,113</b>

Notes:

**(i) Purchase of property, plant and equipment**

Property, plant and equipment were purchased by:

- Cash payment	73,930	139,226
- Reclassification of advances made in previous period for the purpose of property, plant and equipment	20,345	-
- Advances for purchase of property, plant and equipment	-	(56,750)
- Finance lease	560	1,152
	<b>94,835</b>	<b>83,628</b>

The acquisitions above were made in the ordinary course of business and they were mainly machinery and equipment for use in the operations.

**(ii) Non-cash transaction:**

Reclassification of other non-current assets to land use rights

**- 10,436**

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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 Rp'million
	Share capital Rp'million	Accumulated losses Rp'million	Restructuring reserves Rp'million	Foreign currency translation reserve Rp million	Total Rp'million		
<b>Balance at 1/1/2015</b>	2,188,645	(1,896,810)	309,050	3,198	604,083	9,418	613,501
Loss for the period	-	(271,202)	-	-	(271,202)	(369)	(271,571)
Other comprehensive income for the period:							
- Net actuarial loss on post-employment benefits	-	(4,033)	-	-	(4,033)	(21)	(4,054)
- Foreign currency translation loss	-	-	-	(15,058)	(15,058)	(15)	(15,073)
	-	(4,033)	-	(15,058)	(19,091)	(36)	(19,127)
Total comprehensive income for the period	-	(275,235)	-	(15,058)	(290,293)	(405)	(290,698)
<b>Balance at 30/9/2015</b>	<b>2,188,645</b>	<b>(2,172,045)</b>	<b>309,050</b>	<b>(11,860)</b>	<b>313,790</b>	<b>9,013</b>	<b>322,803</b>
<b>Balance at 1/1/2014</b>	2,188,645	(1,868,263)	309,050	(605)	628,827	11,844	640,671
Loss for the period	-	(9,514)	-	-	(9,514)	(1,474)	(10,988)
Other comprehensive income for the period:							
- Net actuarial loss on post-employment benefits	-	(2,456)	-	-	(2,456)	(14)	(2,470)
- Foreign currency translation gain	-	-	-	4,654	4,654	-	4,654
	-	(2,456)	-	4,654	2,198	(14)	2,184
Total comprehensive income for the period	-	(11,970)	-	4,654	(7,316)	(1,488)	(8,804)
<b>Balance at 30/9/2014</b>	<b>2,188,645</b>	<b>(1,880,233)</b>	<b>309,050</b>	<b>4,049</b>	<b>621,511</b>	<b>10,356</b>	<b>631,867</b>

Company	Attributable to owners of the Company		
	Share capital Rp'million	Accumulated losses Rp'million	Total Rp'million
Balance at 1/1/2015	2,188,645	(1,533,331)	655,314
Total comprehensive income for the period	-	(3,895)	(3,895)
<b>Balance at 30/9/2015</b>	<b>2,188,645</b>	<b>(1,537,226)</b>	<b>651,419</b>
Balance at 1/1/2014	2,188,645	(1,473,725)	714,920
Total comprehensive income for the period	-	(3,954)	(3,954)
<b>Balance at 30/9/2014</b>	<b>2,188,645</b>	<b>(1,477,679)</b>	<b>710,966</b>

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

There was no change in the Company's shares during the period ended 30 September 2015.

- 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.

	Number of shares
At 30 September 2015 and 31 December 2014	<hr/> <hr/> 1,401,445,464 <hr/>

There were no shares held as treasury shares as at 30 September 2015 and 31 December 2014.

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

Not applicable, as there were no shares held as treasury shares as at 30 September 2015 and 31 December 2014.

- 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 2015 and has applied the same accounting policies and methods of computation as those of the previous financial year ended 31 December 2014. The adoption of the new and revised accounting standards has no material impact on the financial statements of the Group and the Company for the period ended 30 September 2015.

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.

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

Please refer to point 4.

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

Group	3-month ended		9-month ended	
	30-09-2015	30-09-2014	30-09-2015	30-09-2014
Weighted average number of ordinary shares for basic earnings per share computation	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Weighted average number of ordinary shares for diluted earnings per share computation	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Earnings per share attributable to owners of the Company	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
Basic and diluted	(112)	(17)	(194)	(7)

- 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:-

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

	Group		Company	
	30/09/2015	31/12/2014	30/09/2015	31/12/2014
Net assets for the period attributable to owners of the Company used in computation of net asset value per share (Rp'million)	313,790	604,083	651,419	655,314
Number of ordinary shares at the end of the period	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Net asset value per ordinary share (Rp full amount)	224	431	465	468

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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 Rp272 billion in 9M 2015 as compared to a net loss of Rp11 billion in 9M 2014.

Our sales as a whole improved compared to those in 2014 but our results were mainly affected by higher production costs and operating expenses, foreign exchange loss incurred of Rp89 billion (due mainly to unrealised exchange loss on foreign currency loans) and certain provisions made as described below.

In 3Q 2015, following a decision to cease the operations of a subsidiary due to unfavorable business conditions, full provision has been made for impairment of intangible assets relating to this subsidiary amounting to Rp35 billion. In addition, the Group made provision for certain long outstanding advances to certain suppliers amounted to Rp9 billion and write-down of inventories of Rp33 billion due to deteriorating economic conditions.

The Group reported a net loss of Rp158 billion in 3Q 2015. The performance was mainly affected by the same factors as mentioned above.

## Revenue

Group	3-month ended			9-month ended		
	30-09-2015	30-09-2014	Change	30-09-2015	30-09-2014	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Domestic sales	527,470	520,333	1	1,561,846	1,633,052	(4)
Export sales	297,459	223,038	33	912,091	698,900	31
Total	824,929	743,371	11	2,473,937	2,331,952	6

Our export sales continued to perform well. Our export sales increased by 33% to Rp297 billion in 3Q 2015 and it improved by 31% to Rp912 billion in 9M 2015.

Higher export revenue achieved was due to continue improvement in the sales volume (improved by 15% and 22% in 3Q and 9M 2015 respectively) as well as higher average selling price achieved compared to the respective periods (improved by 16% and 7% in 3Q and 9M 2015 respectively). The composition of our export sales to overall sales rose from 30% to 36% in 3Q 2015 and from 30% to 37% in 9M 2015.

The Group's domestic sales deteriorated in 3Q and 9M 2015. Owing to weaker economy conditions domestically, the demand for our products slow down. Our domestic average selling prices remain relatively stable, however the sales volume increased by 1% in 3Q 2015 and decrease by 4% in 9M 2015.

## Gross profit

Our gross profit decreased by 18% and 13% in 3Q and 9M 2015, respectively. This attributable mainly to higher material costs; owing mainly to increase in the log price and direct material costs, increase in labour and other overheads costs, more than the growth in our revenue.

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## **Other Income**

Other income in 3Q 2015 came mainly from gain on disposal of property, plant and equipment whereas in 9M 2014, it comprises mainly a one-off insurance claim of Rp1 billion.

## **Selling expenses**

The increase in the selling expenses came mainly from the increase in the freight costs, which was in line with the increase in the export activities.

## **General and administration (“G&A”) expenses**

Our G&A expenses have increased over that of previous periods due mainly to increase in staff costs, pension expenses, and insurance expenses.

## **Finance Expenses**

Our finance expenses relate mainly to interest expense. The increase was mainly due to drawdown of additional loans for capital expenditure and working capital.

## **Other expenses**

For the period ended 3Q 2015, other expenses comprises mainly foreign exchange loss of Rp51 billion (due mainly to unrealised exchange loss on foreign currency loans) and provisions made for impairment of intangibles assets of Rp35 billion and irrecoverable advance to suppliers of Rp9 billion and write-down of inventories of Rp2 billion. For 9M 2015, it comprises mainly foreign exchange loss of Rp89 billion, provisions for impairment of intangibles assets of Rp35 billion, write-down of inventories of Rp32 billion and provision for irrecoverable advance to suppliers of Rp9 billion and doubtful receivables of Rp3 billion, respectively.

The strengthening of US dollar has resulted in the foreign exchange loss, mainly because of translation of our US dollar denominated loans.

## **Taxation**

Our tax expenses comprise the following:

Group	3-month ended			9-month ended		
	30-09-2015	30-09-2014	Change	30-09-2015	30-09-2014	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Current income tax	6,261	5,194	21	(10,647)	(20,956)	(49)
Deferred income tax	(6,028)	(604)	898	2,739	12,278	(78)
Under provision of prior years taxes	(3)	(2,101)	(100)	(1,388)	(2,102)	(34)
Total	230	2,489	(91)	(9,296)	(10,780)	(14)

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 which are not recognized due to the uncertainty of its recovery.

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- (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 Rp5 billion. This was due mainly to depreciation charges incurred during the period more than offset the acquisition of new assets amounted to Rp95 billion.

Our trees planting program continued and we have incurred Rp2 billion in various estates in 9M 2015.

The deferred tax assets increased by Rp4 billion was mainly due to accrual of tax benefits arising mostly from the provision for post-employment benefits.

In 2015, our Group's current assets have increased by Rp66 billion to Rp1,132 billion. The increase was due mainly to:

- 1) gearing up inventories level in anticipation of increase in sales in last quarter of 2015;
- 2) higher trade receivables. This came from higher export sales near the end of the reporting period;
- 3) increase in VAT receivables and prepayments. The increase in VAT receivables was mainly due to spending on capital expenditure and timing differences in the recovery of the VAT receivables. Prepayments were made in the ordinary course of business mainly for rental, insurance, purchase of fixed assets and income tax;

the increase in the above has more than offset the lower cash position owing mainly to usage for operations and decrease in advances to suppliers.

As at 30 September 2015, our Group's current liabilities have increased by Rp211 billion to Rp1,009 billion. This was contributed mainly by the:

- 1) increase in the trade and other payables of Rp82 billion which follow the changes in the normal business operating conditions;
- 2) increase in the short-term borrowings as well as long-term borrowings due within 12 months by Rp144 billion;
- 3) offset by the decrease in the other liabilities due mainly to the decrease in VAT payables as a result of lower domestic sales, which partially offset by the increase in accrual of salaries and related benefits costs due mainly to salary adjustments.

For the same period ended, the non-current liabilities have increased by Rp109 billion. This was mainly due to additional provision for post-employment benefits made during the period (increased by Rp31 billion) and increase in loans and borrowings from new loans drawdown and foreign exchange loss translation (net increased by Rp78 billion).

## ***Statement of Cash Flow***

During the period, the Group generated cash inflow of Rp60 billion from financing activities and incurred outflow of Rp28 billion and Rp76 billion from operating and investing activities, respectively. Net cash decreased by Rp44 billion.

Our cash used in operations was higher than previous period. This attribute mainly to operating losses caused by lower domestic sales, higher production costs and operating expenses incurred. In addition, cash generated was mainly used to reinvest in the production of goods and purchase of materials.

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Our cash used in the investing activities were mainly for acquisitions of property, plant and equipment and expenditure on trees planting and land use rights for our upstream activities.

Our cash flow in the financing activities relates 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.

- 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 increasing 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	Loss after tax for the period
(Weakened) / strengthened	Rp272 billion
	(Increase)/ decrease
	Rp'million
(9%)	(39,333)
(6%)	(26,222)
(3%)	(13,111)
3%	13,111
6%	26,222
9%	39,333

Exchange rates:

**US\$1**

- 12 November 2015	Rp13,575
- 30 September 2015	Rp14,657
- 31 December 2014	Rp12,440
- 30 September 2014	Rp12,212

- 2) We continue to experience increase in the wages and other overheads. We caution that the inflationary costs pressure remains and we will monitor the situation and take further actions to mitigate the costs pressure and strive to remain competitive. The current tough business environment may also affect our liquidity position. We are monitoring it closely and will exercise prudent cash management where possible.

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- 3) Slow down and uncertainty in the Indonesian economy have affected the demands of our products locally and it may continue to be so in the near term. Having said, we expect the government and private spending on the infrastructure projects in Indonesia will spur the local economy and hence cushion the lower demands currently. We also expect our export sales to improve and our decking products sales to pick up. However, we caution that the weakening of currencies in certain export markets may affect our export sales. To overcome these challenges, we strive to expand to the other markets.
- 4) The continuing efforts of our products innovation initiatives have produced some positive results. Our initiative includes converting the production of partial truck body parts using environmental friendly (eco) materials to full truck body parts using eco materials. We will continue to explore, develop and be innovative in our product offerings and manage our production efficiently. Our strategy of carrying out own tree planting remains and we believe it will benefit us in the longer term.

## **11. Dividend.**

### **(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

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

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

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

No.

### **(c) Date payable**

Not applicable.

### **(d) Books closure date**

Not applicable.

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

No dividend for financial period ended 30 September 2015 has been declared.

## **13. Interested person transactions.**

The Company does not have a shareholders' mandate under Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited. The following is the aggregate value of all transactions with interested persons for the 9-month period ended 30 September 2015:

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<i>Name of interested person</i>	<i>Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</i>	<i>Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</i>
	<i>Rp'million</i>	<i>Rp'million</i>
PT Pelayaran Nelly Dwi Putri		
<i>Freight expenses</i>	12,972	-
PT Wijaya Triutama Plywood Industri		
<i>Purchase of veneer</i>	12,580	-
PT Sampoerna Land		
<i>Office rental</i>	3,533	-
PT Wahana Sekar Agro		
<i>Cooperation for cultivation of trees</i>	723	-

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 (formerly PT Buana Sakti) and PT Wahana Sekar Agro are controlled by the Sampoerna family, who are substantial shareholders of the Company.

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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Directors which may render the unaudited financial statements for the third quarter ended 30 September 2015 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

Aris Sunarko @ Ko Tji Kim  
Chief Executive Officer  
12 November 2015