



SAMPOERNA KAYOE

Samko Timber Limited
Company Registration No: 200517815M

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE REGULATION ON THE HALF YEAR RESULTS ANNOUNCEMENT 2023 RELEASED BY THE COMPANY

The board of directors (the “**Board**”) of Samko Timber Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by Singapore Exchange Regulation (“**SGX RegCo**”) on 13 September 2023 in relation to the half year results announcement (the “**Announcement**”) for the Financial Period Ended 30 June 2023 (“**HY2023**”) released by the Company on 11 August 2023.

The Company would like to provide the following responses on the queries that were raised by SGX RegCo on the Announcement.

Unless otherwise defined, capitalised terms used herein shall bear the same meaning as ascribed to them in the Announcement.

SGX RegCo Query 1:

The Group reported an increase in “Restricted deposits” under its current assets from Rp 25,000,000 as at 31 December 2022 to Rp 318,000,000 as at 30 June 2023.

In this regard, please explain the nature of the said restriction and its significant increase from Rp 25,000,000 as at 31 December 2022 to Rp 318,000,000 as at 30 June 2023.

Company’s Response:

The restricted deposits represent the escrow bank accounts opened and maintained for payment of interests to the respective bank. The increase from Rp25,000,000 (approximately S\$2k) to Rp318,000,000 (approximately S\$28k) was due to the funds to be made available as at 30 June 2023 for payment of interests due subsequently in early July 2023.

SGX RegCo Query 2:

At page 14, the Group disclosed the following:

“Since February 2023, the Group’s non-profitable facility in Sulawesi was temporarily shutdown. Due to its abnormal unabsorbed costs incurred in nature, the depreciation, salary and other overhead costs were put together under the idle capacity costs in Other expenses”.

In this regard:

- (a) Please provide details on the operations of the Sulawesi facility, the circumstances leading its temporary shutdown and the duration of the shutdown.*
- (b) Please address whether the facility has since resumed operations. If no, why not?*
- (c) In respect of the “abnormal unabsorbed costs incurred”, please quantify the total financial impact on the Group.*



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Company's Response:

- (a) The Sulawesi facility was mainly intended to produce goods used for Recreational Vehicle ("RV") products in the U.S. market. During the Covid-19 pandemic, the RV industry posted record sales as consumers in U.S. market sought ways to vacation safely. The RV sales began to decline in 2022 and continues into 2023 as the RV prices and demand fall. Management decided to temporarily shut-down the Sulawesi facility since February 2023 up to the date of this announcement.
- (b) No, the Company is still waiting for sales orders to return, while at the same time, the Board also currently evaluates the minimum efficient scale to allow the Company to operate more effectively so that it can produce its goods efficiently at the minimum cost.
- (c) The financial impact was Rp12,528 million during the six months period ended 30 June 2023.

SGX RegCo Query 3:

At page 17, the Group disclosed the following:

"As at 30 June 2023, a subsidiary of the Company has not met certain financial covenant ratios requirement as set out in the loan agreement with some of its lenders. Up to 31 December 2022, those lenders have granted the subsidiary waivers of having to comply with such covenant ratios, however, the lenders have yet to issue the waiver to the subsidiary for the breach in the current period. Notwithstanding this, the lenders 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 repayments of the loan principal and its interest as and when they fall due and the utilisation of the borrowing facilities continues as usual as of the date of this announcement."

- (a) Please name the subsidiary in question.*
- (b) Please provide details of the loan agreement, including the terms of the loan, the date of the loan, the loan amount and maturity dates and all aggregate sums (including interest) owing. Please also address whether the said loan was subject to the approval of the Board (including Audit Committee), and if so, when such approval was obtained.*
- (c) Please disclose the use of proceeds from the loan.*
- (d) Please provide a breakdown of the lenders and their identities (and its ultimate beneficial shareholders and directors if this is not a bank), and whether they are related parties (if applicable).*
- (e) Please provide details of the circumstances leading to this subsidiary's inability to meet the aforesaid "financial covenant ratios requirement". Please also address whether there are any legal and/or financial implications on the Company and the Group arising from this development.*



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Company's Response:

- (a) The name of the subsidiary is PT Sumber Graha Sejahtera.
- (b) Please see below for details:

Banks	Term of the Loan	Date of The Loan	Maturity Date	Board Approvals	Currency	Facility	Loan balance as at 30 Jun 2023
PT Bank OCBC NISP Tbk	Working Capital	29-May-14	30-May-24	21 Nov 2013 *	USD K	2,000	2,000
	Term Loan	12-May-20	12-May-25	27 Apr 2020 *	IDR Mn	150,000	71,875
	Working Capital	29-May-20	30-May-24	27 Apr 2020 *	IDR Mn	392,550	383,994
	Working Capital	29-May-20	30-May-24	27 Apr 2020 *	USD K	2,000	2,000
	New TRF - Working Capital	17-May-22	30-May-24	12 May 2022 *	USD K	20,000	2,868
PT Bank Central Asia Tbk	Working Capital	16-Jun-21	15-Jun-24	15 Jun 2021	USD K	10,000	9,996
PT Bank Mandiri Tbk	Term Loan	9-Sep-21	8-Sep-26	2 Dec 2021	USD K	15,000	14,000
	Working Capital	9-Sep-21	8-Sep-24	2 Dec 2021	USD K	15,000	10,154
PT Bank Woori Saudara Indonesia 1906 Tbk	Term Loan	29-Sep-21	30-Sep-24	27 Sept 2021 *	USD K	20,000	16,500
PT Bank Capital Tbk	Working Capital	19-Apr-22	19-Apr-24	19 Apr 2022	IDR Mn	200,000	200,000
PT Bank UOB Indonesia	Working Capital	28-Nov-22	27-Nov-23	6 Dec 2022	USD K	Eq USD 6 Mn	2,001
					IDR Mn		59,206
PT Bank CTBC Indonesia	Working Capital	8-May-23	7-May-24	18 Apr 2023 *	USD K	Eq USD 2 Mn	142
					IDR Mn		21,708

* approved by the Board of Commissioner of PT Sumber Graha Sejahtera

The Board Risk Committee (the “**BRC**”) reviews for any non-compliance with all bank covenants. All material breaches of the limits are identified and discussed. The findings of the BRC are presented to the Board during the Board meetings. In addition, the Board including the Audit Committee (the “**AC**”) are updated regularly on the financial position of the Company, the level of bank borrowings with updates of significant banking relationships at the Board meetings. As a sub-committee of the Board, the BRC comprises six (6) members of which four (4) members are Non-Executive and Independent Directors, and includes all members of the AC.

- (c) The loans were used for capital expenditures, general working capital purposes, pre-shipment financing, post import financing non letter of credit or trade purchase financing, and foreign exchange line.
- (d) The lenders are not related parties to the Company, and please see point (b) for details.



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- (e) The subsidiary could not achieve certain target ratio as required in the financial covenants ratios as the subsidiary incurred operating losses during the financial period ended 30 June 2023, and also has negative equity, and higher current liabilities exceeded its current assets as at 30 June 2023 as a result of higher debt. The financial performance was mainly affected by lower sales as the export sales volume dropped by 40% coupled with the lower average export pricing by 20%, for the six months period ended 30 June 2023 versus 2022. The Board is aware that the above condition may cast a doubt on the ability of the subsidiary to meet the financial covenant ratios requirement, however, the Board is not aware of any legal and/or financial implications on the breach of the financial covenants ratios since the breach is technical in nature and the subsidiary has been servicing the repayments of the loan principal and its interest as and when they fall due and the utilisation of the borrowing facilities continues as usual as of the date of this announcement.

SGX RegCo Query 4:

With reference to Note 2, please provide the Board's assessment of the collectability of trade receivables given the increase in the trade receivables balance. Please also provide an explanation on why there has been a "delay of sales collection from domestic sales".

Company's Response:

Trade receivables are mainly arising from domestic sales and there is no concentration of credit risk to a certain customer. Based on the review of the collectability of trade receivables, the Management believes that the allowance for impairment losses provided is adequate to cover possible losses on uncollectible receivables, and other than those covered by the impairment provision, the Management expects to have them substantially collected in the next twelve months.

SGX RegCo Query 5:

At Note 5, we note the increase of Rp 163,203 million in "Other payables" which are due to third parties and related parties, from Rp 134,316 million as at 31 December 2022 to Rp 297,519 million as at 30 June 2023.

In this regard, please explain the increase and elaborate on the nature of such other payables.

Company's Response:

The increase of Rp163,203 million in "Other payables" is mainly due to the increase in purchase of assets primarily for the production facilities and new machineries needed for the Mangole project.

SGX RegCo Query 6:

As at 30 June 2023, the Group reported an aggregate of Rp 1,174,143,000,000 of secured borrowings and Rp 274,980,000,000 of unsecured borrowings, which are repayable in one-year or less, or on demand.

The Group also reported an aggregate of Rp, 1,048,760,000,000 of secured borrowings which are repayable after one year.

As at 30 June 2023, the Group reported cash and cash equivalents amounting to Rp 108,280,000,000.



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Page 9 provides:

"The Group incurred a net loss of Rp232 billion for the financial period ended 30 June 2023, and, as of that date, the Group's current liabilities exceeded its current assets by approximately Rp573 billion, and total net liabilities of Rp84 billion.

The above conditions may cast a significant doubt on the ability of the Group and to continue in operational existence for the foreseeable future and to discharge its liabilities in the normal course of business.

Notwithstanding the above, the management is of the view that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial period ended 30 June 2023 is appropriate. Management believes that the Group will have sufficient working capital and will be able to pay its debts as and when they fall due, and the banks will continue to support the Group and are not aware of any adverse circumstances that might cause the Group's bank facilities to be withdrawn."

In this regard:

- (a) Please disclose the pro-active actions which management plans to take to ensure that the Company's financial position remains strong.*
- (b) Please assess the Company's ability to operate as a going concern.*
- (c) Please assess the Company's ability to meet its debt covenants (if any).*
- (d) Please assess the Company's ability to meet its short-term obligations when they fall due.*

Company's Response:

- (a) In the second half of 2023, the Company will undertake a Rights Issue with the estimated net proceed of S\$21.6 million, if the rights shares are fully subscribed. The Board believes that the net proceeds from the Rights Issue will strengthen the Company's financial position and provide the financial flexibility to seize opportunities for business growth.
- (b) The Board believes that the Company and the Group ("Group") have the ability to operate as a going concern due to the following:
 - 1) The majority shareholder is expected to continue to support the Group by participating in the Rights Issue, showing their confidence and optimism about the future prospect of the Group.
 - 2) The lenders continue to support the Group as there is no loans repayment default and the Group has been servicing the repayments of the loan principal and its interest as and when they fall due and the utilisation of the borrowing facilities continues as usual, as of 11 August 2023 when the Company announced its half year results and also as at the date of this announcement.
 - 3) The Group expects to complete the construction of the factory buildings and infrastructures for Mangole project in the second half of 2023, along with the installation of some machineries needed for production and expects the Mangole project will commence production and increase the Group's production capacity for high quality Plywood and certified Wood Pellet at a lower production cost due to the ample supply of wood and the adoption of the latest production machineries and equipment.
 - 4) As the pandemic subsides and supply chains begin to stabilize, the Group will be able to reduce the freight costs due to the decrease in container costs as shortages of shipping containers ease.
 - 5) To improve the performance and liquidity, the Board is exploring other options to raise additional funding through disposal of non-core assets and will continue to monitor the situation and may undertake these actions as and when necessary.



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- c) The Company will continue to improve its operating performance and generate sufficient cash flows from its operations to meet the working capital requirements, and will negotiate with the lenders to reduce the financial covenant ratios requirement, upon the completion of the Rights Issue.
- d) The Board believes that the Group will have sufficient working capital to pay its debts as and when they fall due, and the lenders will continue to support the Group and are not aware of any adverse circumstances that might cause the Group's bank facilities to be withdrawn. Although the subsidiary is still in breach of the financial covenant ratios requirement, and prompting a thorough review of the financial stability, four major lenders (PT Bank OCBC NISP Tbk, PT Bank Mandiri Tbk, PT Bank Central Asia Tbk, and PT Bank Capital Tbk) have rolled over the short-term borrowing facilities up to 2024, demonstrating not only their confidence in the Group's ability to rectify the financial situation, but also their long-term commitment to support the Group's growth and success in a volatile business environment.

By Order of the Board

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer

21 September 2023