



SAMPOERNA KAYOE

Samko Timber Limited
Company Registration No: 200517815M

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the board of directors (the “**Board**”) of Samko Timber Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its independent auditor, BDO LLP (the “**Auditor**”), has included a Material Uncertainty Related to Going Concern section in their Independent Auditor’s Report dated 8 April 2024 (the “**Independent Auditor’s Report**”) on the audited financial statements of the Group for the financial year ended 31 December 2023 (the “**FY2023 Financial Statements**”). The Independent Auditor’s Report and the FY2023 Financial Statements will form part of the Company’s Annual Report for FY2023 (the “**FY2023 Annual Report**”). The opinion of the Auditor is not modified in respect of this matter.

A copy of the Independent Auditor’s Report, together with an extract of the relevant note relating to the going concern to the FY2023 Financial Statements, are annexed to this announcement as Appendix, for reference. Notwithstanding the above comments from the Auditor, the Board in assessing the appropriateness of the going concern assumptions of the Group and the Company, is of the view that the use of going concern assumption to prepare the FY2023 Financial Statements are appropriate based on the following factors:

- (a) The Board is of the view that the recent rights issue corporate exercise that raised a total of Rp218 billion had provided financial flexibility for the Group, accompanied by the participation of the substantial shareholder, Sampoerna Forestry Limited (the “**Substantial Shareholder**”), in the rights issue exercise has further enhanced its confidence and optimism of the future prospect of the Group and the Company;
- (b) The lenders continue to provide support to the Group and had rolled over short-term borrowing facilities, which demonstrated their confidence and long-term commitment to support the Group’s growth and success in a volatile business environment. In addition, the Group has been servicing the repayments of the loan principal and its interest as and when they fall due. The utilisation of the borrowing facilities continues as usual, as of 29 February 2024 when the Company announced its full year financial results, and as of the date of this announcement;
- (c) To improve and optimise the utilisation of assets and provide additional working capital to the Company, the Group intends to dispose of its factory and land located in Balaraja, Tangerang, West Java; and
- (d) Following the asset acquisition in PT Sumber Graha Maluku for the Mangole project in 2019, the Group has substantially completed the construction of the factory buildings and infrastructures, along with the installation of some machineries needed for production of wood pellet. For the production of plywood, the Group expects to commence production in stages in the coming months. The Mangole project will provide the opportunity to enhance the Group’s production capacity for high quality plywood and certified wood pellet.

Notwithstanding the above, the Board acknowledges that a condition of material uncertainty exists that may cast doubt on the Group’s and the Company’s ability to continue as going concerns, which is highly dependent on the Group’s and Company’s ability to receive continuing financial support by the Substantial Shareholder and continued availability of adequate banking facilities for drawdown supported by the lenders.



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The Board confirms that to the best of its knowledge and belief, all material and sufficient information has been disclosed and announced for trading of the Company's shares to continue in an orderly manner and confirm that all material disclosures has been provided for trading of the Company's shares to continue.

Shareholders of the Company are advised to read the Independent Auditor's Report together with the FY2023 Audited Financial Statements of the Group in the Company's FY2023 Annual Report, which will be released to the SGX-ST via SGXNet in due course.

In the meantime, the Board wishes to advise shareholders and potential investors to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer

11 April 2024

INDEPENDENT AUDITOR'S REPORT

To The Members of Samko Timber Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Samko Timber Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 84 to 154 which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Group incurred a net loss of Rp701,548 million during the financial year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by Rp1,604,719 million, of which the Group has short-term bank loans amounting to Rp1,895,165 million, as disclosed in Note 27 to the financial statements, which are due within the next twelve months from 31 December 2023. The Group also has a deficit in equity attributable to owners of the Company amounted to Rp980,754 million as at 31 December 2023.

These conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast a significant doubt on the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

To The Members of Samko Timber Limited

Report on the Audit of the Financial Statements (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
<p>1 Valuation of biological assets</p> <p>As at 31 December 2023, the Group recognised biological assets in Indonesia amounted to approximately Rp641,227 million.</p> <p>Biological assets is measured at fair value in accordance with SFRS(I) 1-41 <i>Agriculture</i> as at year end. The Group engages an independent valuer to perform the valuation of the biological assets. The Group uses the discounted cash flow ("DCF") method to value its biological assets. The gain or loss arising from the biological assets is included in profit or loss for the period in which it arises.</p> <p>Determining the present value of expected net cash flows requires the use of assumptions and estimates relating to growth, harvesting plan, harvest yield per hectare, sale prices and costs, and also choosing a suitable discount rate in order to calculate the present value of those net cash flows.</p> <p>We have determined valuation of biological assets to be a key audit matter due to the level of judgement and estimation uncertainty involved in the valuation.</p> <hr/> <p>Refer to Notes 2.6 and 14 of the accompanying financial statements.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Evaluated the independence, competency, objectivity and capabilities of the independent valuer engaged by the Group; • Engaged internal valuation expert to evaluate the methodology adopted by the independent professional valuer; • Discussed with the independent professional valuer and assessed the key inputs and data used in the valuation model, in particular the growth assumptions, harvesting plan, harvest yield per hectare, sale prices assumptions and costs and compared to the historical and market available data; • Assessed the appropriateness of the discount rate applied in the valuation; and • Assessed the adequacy of the relevant disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To The Members of Samko Timber Limited

Report on the Audit of the Financial Statements (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
<p>2 Post-employment benefits liabilities</p> <p>The Group accounts for the defined pension plan benefits for its qualified employees as required by the Indonesian Labour Law. As at 31 December 2023, the Group's post-employment benefits liabilities amounted to approximately Rp298,479 million.</p> <p>The cost of the defined pension plan benefits and the present value of the pension obligation are calculated using an actuarial valuation. The Group engages an independent actuary to perform the valuation of post-employment benefits liabilities.</p> <p>Determining the post-employment benefits liabilities valuation requires the use of assumptions and estimates relating to salary growth, mortality rate and discount rate which may differ from actual developments in the future.</p> <p>We have determined the valuation of post-employment benefits liabilities to be a key audit matter due to the complexities involved in the valuation and its long-term nature.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Evaluated the independence, competency, objectivity and capabilities of the independent actuary engaged by the Group; • Discussed with the independent actuary and assessed the key inputs and data used in the valuation, in particular the salary growth and mortality rate; • Assessed the appropriateness of the discount rate applied in the valuation; • Assessed the appropriateness of the accounting of defined benefit plan in accordance with SFRS(I) 1-19 <i>Employee Benefits</i>; and • Assessed the adequacy of the relevant disclosures in the financial statements.

Refer to Notes 2.4 and 28 of the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

To The Members of Samko Timber Limited

Report on the Audit of the Financial Statements (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
<p>3 Impairment assessment on investments in subsidiaries</p> <p>As at 31 December 2023, the Company's investments in subsidiaries amounted to approximately Rp1,012,091 million, representing 99% of the total assets on the Company's Statement of Financial Position.</p> <p>During the financial year, the Company subscribed for an additional 1,625,000 new ordinary shares at Rp114,500 per ordinary share in the Company's subsidiary, PT Sumber Graha Sejahtera ("PT SGS"). The full consideration of Rp186,062 million was outstanding to PT SGS as at year end.</p> <p>The Company's subsidiaries were loss making for financial year ended 31 December 2023. As at 31 December 2023, the net tangible assets of certain subsidiaries were lower than carrying amount of the investments.</p> <p>Management determined the recoverable amounts based on the value-in-use calculations by estimating the expected discounted future cash flows to be derived from the investments in those subsidiaries.</p> <p>We focused this area as a key audit matter as significant management judgements and estimates are involved in the key assumptions used in estimating the expected discounted future cash flows, such as the revenue growth rate, terminal growth rate and discount rate.</p> <hr/> <p>Refer to Notes 2.8 and 13 of the accompanying financial statements.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Evaluated the management's impairment assessment on whether indicator of impairment exists as at year end; • Discussed with management and evaluated the reasonableness of the key assumptions made by management in preparing the discounted cash flows, including performing analytical procedures and comparing the revenue growth rate against historical performance and industry outlook, as appropriate; • Performed sensitivity analysis of the key assumptions, including the revenue growth rate, terminal growth rate and discount rate, used in the discounted cash flow forecasts; and • Assessed the adequacy of the relevant disclosures in the financial statements.

Other Matter

The consolidated financial statements of the Group and the statement of financial position of the Company as at 31 December 2022 were audited by another auditor who expressed an unmodified opinion with a material uncertainty related to going concern paragraph on those financial statements on 14 April 2023.

INDEPENDENT AUDITOR'S REPORT

To The Members of Samko Timber Limited

Report on the Audit of the Financial Statements (Continued)

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To The Members of Samko Timber Limited

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is William Ng Wee Liang.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
8 April 2024

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

3. Going concern

The Group incurred a net loss of Rp701,548 million during the financial year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by Rp1,604,719 million, of which the Group has short-term bank loans amounting to Rp1,895,165 million, as disclosed in Note 27, which are due within the next twelve months from 31 December 2023. The Group also has a deficit in equity attributable to owners of the Company amounted to Rp980,754 as at 31 December 2023.

In assessing the appropriateness of the going concern assumptions of the Group, the Directors are of the view that the use of going concern assumption to prepare the financial statements is appropriate based on the following factors:

- (a) the Directors of the Group have carried out a detailed review of the cash flow forecast of the Group for the next 18 months after the end of the financial year. Based on such forecast, the Directors of the Group have estimated that the proceeds from the projections and existing liquidity are adequate to finance the working capital requirements of the Group for the next 18 months;
- (b) 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, including extension of loan repayment beyond the next twelve months from 31 December 2023. Further, as at 31 December 2023, the Group has at its disposal unused revolving loan and overdraft facilities amounting to Rp427,069 million to draw down, if required, as disclosed in Note 33.4;
- (c) the Group will continue to improve its operating performance and generate sufficient cash flows from its operations to meet its working capital requirements; and
- (d) the Group is expanding its operations into new locations in Indonesia to generate future additional revenue stream and positive operating cash flows for the Group.

The Directors acknowledge that the conditions above indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to discharge its liabilities in the normal course of business which may lead to the Group being unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may need to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments have been reflected in these consolidated financial statements.