SAMKO TIMBER LIMITED
(Company Registration No.: 200517815M)
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF THE BALARAJA FACTORY

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1 INTRODUCTION

1.1 The board of directors ("**Board**" or "**Directors**") of Samko Timber Limited ("**Company**", together with its subsidiaries, the "**Group**") refers to:

(a) the circular to shareholders dated 11 April 2024 ("**Circular**") in relation to the Proposed Adoption of the Disposal Mandate for the Proposed Disposal of the Balaraja Factory; and

(b) the announcement dated 26 April 2024 by the Company in relation to Shareholders' approval for the Disposal Mandate duly obtained at the extraordinary general meeting convened by the Company on the same day.

Unless otherwise defined herein, all capitalised terms used in this announcement shall have the meaning ascribed in the Circular.

1.2 The Board wishes to announce that as part of the Proposed Disposal, PTSGS has entered into Perjanjian Jual Beli Bersyarat (Conditional Sale and Purchase Agreement) No. 040/SGS/Perj./Legal/IX/2024 dated 27 September 2024 (the "**Agreement**") with Anton (the "**Purchaser**") in relation to the sale of the Balaraja Factory, exclusive of the two-storey dormitory (the "**Dormitory**") of 343m^2 which sits on a land area of 253m^2 (the "**Disposal**"), in accordance with the terms of the Disposal Mandate of which Shareholders' approval was obtained at the EGM convened on 26 April 2024.

1.3 The Dormitory will be sold separately and relevant announcements will be made accordingly.

2 INFORMATION ON THE PURCHASER

The Purchaser is an Indonesian businessman and is an independent and unrelated third party. He does not have any shareholding interest, direct or indirect in the Company, nor is he related to any of the Directors, Controlling Shareholders, or their respective Associates.

3 INFORMATION ON THE BALARAJA FACTORY

As disclosed in Section 2.3 of the Circular, the Balaraja Factory comprises a one-storey detached plywood and/or other wood-products factory building of 41,206m^2 and the Dormitory of 343m^2. The factory building sits on a land area of 86,511m^2 and the Dormitory sits on a land area of 253m^2.[1] Valuation was carried out on the land, building and site improvements of both the factory building and the Dormitory. It was purchased in 2008 by PTSGS, a wholly-owned subsidiary of the Company, which principal activities are in the production of plywood, laminated veneer lumber wood panels and wood-based furniture.

The ownership of the Balaraja Factory is covered by 10 certificates of the Rights to Build (Hak Guna Bangunan) ("**HGB Land Certificates**") with 30 to 38 years validity expiring between 2031 to 2038, namely, HGB Land Certificate No. 1, 2, 00035, 00080, 00081, 00082, 00083, 00084, 00085 and 00086 covering a total land area of 86,764m^2.

[1] The land area for HGB Land Certificates (as defined herein) No. 00084 and 00086 were amended after the despatch of the Circular, as 0.215m^2 was used by the government to build a toll road in front of the Balaraja Factory. Hence, the total land area of the Balaraja Factory decreased from 86,726m^2 to 86,511m^2.

Pursuant to the Agreement, PTSGS has agreed to sell, and the Purchase has agreed to purchase the Balaraja Factory, exclusive of the Dormitory, represented by the nine (9) HGB Land Certificates, namely, HGB Land Certificate No. 1, 2, 0080, 0081, 0082, 0083, 0084, 0085 and 0086, covering a total land area of 86,511m^2.

4 SALIENT TERMS OF THE AGREEMENT

A summary of the material terms and conditions of the Agreement include, *inter alia*, the following:

4.1 Consideration

The consideration payable pursuant to the Agreement of Rp105,000 million ("**Consideration**") (equivalent to approximately S$8,907,363 based on the exchange rate of Rp11,788: S$1 as at the date immediately preceding the date of this announcement) shall be satisfied by the Purchaser in cash in the following manner:

(a) a first payment of Rp 47,000,000,000, which has been received by PTSGS; and

(b) a second payment of Rp 58,000,000,000, which will be paid by the Purchaser no later than 31 December 2024.

The Consideration was arrived at pursuant to arm's length negotiations, on a willing-buyer, willing-seller basis, taking into account, *inter alia*, the following factors:

(a) the Minimum Disposal Price of not less than Rp105,000 million (equivalent to approximately S$9 million based on the exchange rate of Rp11,657.59: S$1 as stated in the Circular), which is approximately 77% of the Current Market Value as determined by the Valuer, as set out in Section 2.4.4 of the Circular; and

(b) that the offer made by the Purchaser constitutes the most favourable terms which PTSGS has received to-date.

4.2 Completion

The completion and signing of the final Deed of Transfer on the ownership title of Balaraja Factory will be carried out either in stages or all at once, upon receiving the selling price by PTSGS for each plot of land (each HGB Land Certificate), provided that for HGB Land Certificate No. 1 and HGB Land Certificate No. 2, consent and/or approval for transfer the ownership and/or rights from the land office (BPN) has been obtained, as required under the relevant HGB Land Certificate.

Completion of the Disposal shall take place no later than 31 December 2024 ("**Completion Date**").

4.3 Representations and Warranties

PTSGS represents and warrants to the Purchaser: (i) that PTSGS is the legal owner of Balaraja Factory and no other party co-owns and/or have the rights over the Balaraja Factory; and (ii) the Balaraja Factory is not in dispute, not being seized, pledged, transferred, cooperated, and/or leased to another party.

5. RATIONALE AND USE OF PROCEEDS

As stated in Section 2.6 of the Circular, the Proposed Disposal would allow the Group to re-allocate the resources to improve and optimise the utilisation of assets and provide additional working capital to the Company. The Balaraja Factory contributes minimal revenue for the Group subsequent to the Group's efforts to move its production lines in and facilities to its other factories in Jombang and Jember located in East Java. The Group has been undertaking various restructuring and relocation exercises as and when the Board deems necessary to improve the production efficiency and to stem risings costs in the long-term for the optimisation of the Group's operations, such as moving its operations by relocating some of its manufacturing plants. The Proposed Disposal is a response to

the increase in workers' expenses in Banten, a province bordering West Java and Jakarta where the Balaraja Factory is situated. The Group has thus been relocating its production facilities to areas where workers' salaries are lower as compared to Banten where the Balaraja Factory is currently situated.

As stated in Section 5 of the Circular, the Company expects to utilise the net proceeds of the Proposed Disposal for general working capital purposes.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Based on the latest unaudited consolidated financial statements for the half year ended 30 June 2024 ("**1H2024**"), the relative figures in respect of the Disposal, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

Rule 1006(a)	The net asset value(1) of the assets to be disposed of, compared with the Group's net asset value	Not meaningful(1)
Rule 1006(b)	The net losses(2) attributable to the assets disposed of, compared with the Group's net losses.	Not meaningful (3)
Rule 1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	48%(4)
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable(5)
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not Applicable(6)

Notes:

(1) Under Rule 1002(3)(a) of the Listing Manual, "net assets" means total assets less total liabilities. The relative figure computed on the base set out in Rule 1006(b) is not meaningful as it is a negative figure of 3% based on the Group's unaudited net asset value as at 30 June 2024.

(2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

(3) The relative figure computed on the base set out in Rule 1006(b) is not meaningful as it is a negative figure of 11% based on the Group's unaudited net losses for 1H2024.

(4) Based on the Consideration and the Company's market capitalisation of approximately S$17.3 million, being the issued ordinary share capital of the Company of 8,646,408,068 shares ("**Shares**") at the volume weighted average price of the Shares of S$0.002 on 27 September 2024, which is the market day immediately preceding the date of the Agreement.

(5) Rule 1006(d) of the Listing Manual is not applicable to a disposal of assets.

(6) Rule 1006(e) of the Listing Manual is not applicable as the Company is not a mineral, oil and gas company.

Since the relative figures calculated on the basis pursuant to Rule 1006(c) exceed 20%, the Disposal constitutes a major transaction under Chapter 10 of the Listing Manual and is subject to the approval of Shareholders. Given that the Company has obtained the requisite approval of Shareholders at the EGM for the Disposal Mandate and the Disposal is conducted under the Disposal Mandate, the Disposal under would have been duly approved by Shareholders. Accordingly, no separate shareholders' approval will be sought.

7. FINANCIAL EFFECTS OF THE DISPOSAL

The *pro forma* financial effects of the Disposal on the Group's consolidated NTA, consolidated EPS and gearing ratio are set out below, and have been prepared on the basis that the Disposal had taken place:

(a) for the purpose of the balance sheet, as at 31 December 2023, being the date to which the latest full year audited financial statements of the Group were made up, and as at 30 June 2024, being the date to which the latest half year unaudited financial statements of the Group were made up;

(b) for the purpose of the profit and loss account, from 1 January 2023, being the start of the latest audited financial year, and from 1 January 2024, being the start of the latest unaudited half year.

The *pro forma* financial effects of the Disposal on the consolidated NTA and consolidated EPS of the Group are purely for illustrative purposes only. The financial effects stated below are neither indicative of the actual financial effects of the Disposal on the consolidated NTA and consolidated EPS of the Group, nor are they indicative of the financial performance of the Group for FY2023 and 1H2024.

7.1. Share Capital

As at the date of Latest Practicable Date, the issued share capital of the Company is Rp763,881 million (equivalent to approximately S$65.5 million) comprising 8,646,408,068 Shares. The Company does not have any treasury shares. The Disposal will have no impact on the issued and paid-up share capital of the Company.

7.2. (LPS) / EPS

The *pro forma* financial effects of the Disposal on the [loss/earning] per share of the Group for FY2023 and 1H2024, assuming that the Disposal had been effected as at 1 January 2023 and 1 January 2024, respectively, are as follows:

	Loss attributable to the Shareholders (Rp'million)		**Weighted average number of Shares**		**(LPS) / EPS (Rp)**	
	For FY2023	**For 1H2024**	**For FY2023**	**For 1H2024**	**For FY2023**	**For 1H2024**
Before the Disposal	(752,543)	(549,834)	2,408,171,095	8,646,408,068	(312)	(64)
After the Disposal	(685,572)	(482,863)	2,408,171,095	8,646,408,068	(285)	(56)

7.3. NTL

The *pro forma* financial effects of the Disposal on the NTL of the Group as at 31 December 2023 and 30 June 2024, assuming that the Disposal had been effected as at 31 December 2023 and 30 June 2024, respectively, are as follows:

	(NTL) / NTA (Rp'million)		**No. of Shares**		**(NTL) / NTA per Share (Rp)**	
	As of 31 December 2023	**As of 30 June 2024**	**As of 31 December 2023**	**As of 30 June 2024**	**As of 31 December 2023**	**As of 30 June 2024**
Before the Disposal	(980,754)	(1,356,536)	2,408,171,095	8,646,408,068	(407)	(157)
After the Disposal	(913,783)	(1,289,565)	2,408,171,095	8,646,408,068	(379)	(149)

7.4. Gearing

The pro forma financial effects of the Disposal on the gearing of the Group for FY2023 and 1H2024, assuming that the Disposal had been effected as at 31 December 2023 and 1H2024, respectively, are as follows:

	Total debts (Rp'million)		**Total Shareholders' equity (Rp'million)**		**Gearing ratio (times)**	
	For FY2023	**For 1H2024**	**For FY2023**	**For 1H2024**	**For FY2023**	**For 1H2024**
Before the Disposal	3,093,619	3,225,322	(611,062)	(1,035,624)	n.m	n.m
After the Disposal	3,026,648	3,158,351	(544,091)	(968,653)	n.m	n.m

8. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors and their respective Associates has any interest, whether direct or indirect, in the Disposal save for their direct or indirect interests (if any) arising by way of their shareholdings and/or directorships, as the case may be, in the Company. The Directors have not received any notification of interest in the Disposal from any substantial Shareholders and their respective associates, and are not aware of any substantial Shareholders and their respective associates which

has any interests, direct or indirect, in the Disposal (other than through their respective shareholding interests in the Company).

9. SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company at 7500A Beach Road #08-305/307 The Plaza Singapore 199591 for a period of three (3) months commencing from the date of this announcement.

11. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

12. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Disposal as appropriate or when there are material developments in respect of the Proposed Disposal and other matters contemplated in this announcement.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Disposal, the Proposed Disposal and the Disposal Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

BY ORDER OF THE BOARD

RIKO SETYABUDHY HANDOKO
Executive Director and Chief Executive Officer
30 September 2024