

CIRCULAR DATED 12 APRIL 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular is issued by Samko Timber Limited (the “Company”, together with its subsidiaries, the “Group”). If you are in any doubt about the contents of this Circular or the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company (the “Shares”) held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee.

If you have sold or transferred all your Shares represented by physical share certificate(s) which are not deposited with CDP, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying proxy form to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company. The Singapore Exchange Securities Trading Limited (the “SGX-ST”) assumes no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.



SAMKO TIMBER LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 200517815M)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) **THE ADOPTION OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN**
- (2) **THE ADOPTION OF THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PT BASIRIH INDUSTRIAL (“PTBI”)**
- (3) **THE RENEWAL OF THE GENERAL MANDATE FOR THE CHARTER AND FREIGHT SERVICES TO BE PROVIDED BY PT PELAYARAN NELLY DWI PUTRI (“PNDP”)**
- (4) **THE RENEWAL OF THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PT WIJAYA TRIUTAMA PLYWOOD INDUSTRI (“WTUPI”)**
- (5) **THE RENEWAL OF THE GENERAL MANDATE FOR THE ACQUISITION OF PALM LOGS FROM PT SAMPOERNA AGRO TBK AND ITS SUBSIDIARIES (THE “PSAT GROUP”)**
- (6) **THE OVERDRAFT FACILITY RENEWAL AS AN INTERESTED PERSON TRANSACTION**

Independent Financial Adviser to the Non-Interested Directors in relation to the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal



SAC CAPITAL PRIVATE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No: 200401542N)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form : 25 April 2018 at 3.00 pm

Date and time of Extraordinary General Meeting : 27 April 2018 at 3.00 pm (or immediately after the conclusion or adjournment of the annual general meeting of the Company held on the same date at 2.00 pm)

Place of Extraordinary General Meeting : Carlton Hotel Singapore
Connaught Room, Level 2
76 Bras Basah Road
Singapore 189558

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or is otherwise stated:

"2017 Circular"	: Circular of the Company dated 13 April 2017 to seek Shareholders' approval for the 2017 IPT General Mandates and the 2017 Overdraft Facility Renewal Mandate
"2017 EGM"	: Extraordinary general meeting of the Company convened on 28 April 2017 pursuant to which Shareholders' approval was obtained for the 2017 IPT General Mandates and the 2017 Overdraft Facility Renewal Mandate
"2017 IPT General Mandates"	: Collectively, the General Mandates for the Charter and Freight Services, the Acquisition of Face-Back Veneers from WTUPI, and the Acquisition of Palm Logs
"2017 Mandated Transactions"	: For the purposes of the Proposals, transactions with the Group which fall within the scopes of the 2017 IPT General Mandates
"2017 Overdraft Facility Renewal Mandate"	: The Shareholders' mandate for the renewal of the Overdraft Facility obtained at the 2017 EGM
"AGM"	: Annual general meeting of the Company
"Associate"	: (a) In relation to any Director, Chief Executive Officer, substantial Shareholder, or Controlling Shareholder (being an individual) means: (i) his Immediate Family; (ii) the trustees of any trust of which he or his Immediate Family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his Immediate Family together (directly or indirectly) have an interest of 30% or more; and (b) In relation to a substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"Audit Committee"	: The audit committee of the Company, from time to time. As at the date of this Circular, the Audit Committee comprises Mr Ng Cher Yan, Mr Wee Ewe Lay Laurence John, and Mr Sim Idrus Munandar
"Auditors"	: The auditors of the Company for the time being
"Award"	: A contingent award of Shares granted under the Plan pursuant to the Rules
"Bank Sampoerna"	: PT Bank Sahabat Sampoerna
"Board of Directors" or "Board"	: The board of directors of the Company, from time to time
"CDP"	: The Central Depository (Pte) Limited

DEFINITIONS

"Chief Executive Officer"	: Chief executive officer of the Company from time to time
"Chief Financial Officer"	: Chief financial officer of the Company from time to time
"Circular"	: This circular to Shareholders dated 12 April 2018
"Committee"	: The administration committee comprising members of the nominating committee and remuneration committee of the Company to administer the Plan
"Companies Act"	: The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
"Company"	: Samko Timber Limited
"CPF"	: Central Provident Fund
"Constitution"	: The constitution of the Company, as amended, modified or supplemented from time to time
"Controlling Shareholder"	: A person who: (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares and subsidiary holdings in the Company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over the Company
"Date of Grant"	: In relation to an Award, the date on which the Award is granted pursuant to the Rules
"Director" or "Directors"	: A director or directors of the Company
"EGM"	: The extraordinary general meeting of the Company to be held on 27 April 2018, Friday at 3.00 pm (or immediately after the conclusion or adjournment of the AGM held on the same date at 2.00 pm), notice of which is set out on pages 62 to 64 of this Circular
"EPS"	: Earnings per Share
"Executive Director"	: A Director for the time being of the Company, holding office in an executive capacity in the Company
"Executive Officer"	: A Executive Director, Chief Executive Officer or Chief Financial Officer, as the case may be, and "Executive Officers" shall mean all of such persons collectively
"FRS 102"	: Financial Reporting Standard 102
"FY"	: The financial year commenced or, as the case may be, commencing, on 1 January and ended, or as the case may be, ending 31 December

DEFINITIONS

"FY2013"	: The financial year ended 31 December 2013
"FY2016"	: The financial year ended 31 December 2016
"FY2017"	: The financial year ended 31 December 2017
"General Mandate for Charter and Freight Services"	: The general mandate for the charter and freight services to be provided by PNDP
"General Mandate for the Acquisition of Face-Back Veneers from PTBI"	: The general mandate for the acquisition of face-back veneers from PTBI
"General Mandate for the Acquisition of Face-Back Veneers from WTUPI"	: The general mandate for the acquisition of face-back veneers from WTUPI
"General Mandate for the Acquisition of Palm Logs"	: The general mandate for the acquisition of palm logs from the PSAT Group
"Group"	: The Company and its subsidiaries
"IDR"	: Indonesian Rupiah, the official currency of Indonesia
"IFA"	: SAC Capital Private Limited, the independent financial adviser to the Non-Interested Directors in relation to the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal as an interested person transaction
"IFA Letter"	: The letter dated 12 April 2018 from the IFA to the Non-Interested Directors in relation to the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal as set out in Appendix B
"Immediate Family"	: In relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent
"Indonesia"	: The Republic of Indonesia
"Listing Manual"	: The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
"Mandated Transactions"	: For the purposes of the Proposals, transactions with the Group which fall within the scope of the General Mandate for the Acquisition of Face-Back Veneers from PTBI
"Market Day"	: A day on which the SGX-ST is open for trading in securities

DEFINITIONS

"Market Value"	: In relation to a Share, on any day: (a) the average price of a Share on the SGX-ST (or such other stock exchange on which the Shares may for the time being be listed or quoted) over the 5 immediately preceding Market Days on which the Shares are transacted on the SGX-ST (or such other stock exchange on which the Shares may for the time being be listed or quoted); or (b) if the Committee is of the opinion that the Market Value as determined in accordance with (a) above is not representative of the value of a Share, such price as the Committee may determine, such determination to be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable
"Non-Executive Director"	: A Director (other than an Executive Director) from time to time of the Company
"Non-Interested Directors"	In relation to the Plan, all the Directors except Mr Riko Setyabudhy Handoko In relation to the General Mandate for the Acquisition of Face-Back Veneers from PTBI, the General Mandate for Charter and Freight Services, and the General Mandate for the Acquisition of Face-Back Veneers from WTUPI, all the Directors except Mr Koh Tji Beng @ Ambran Sunarko In relation to the General Mandate for the Acquisition of Palm Logs and the Overdraft Facility Renewal, all the Directors except for Mr Michael Joseph Sampoerna
"Notice of EGM"	: The notice of the EGM as set out on pages 62 to 64 of this Circular
"NTA"	: Net tangible assets
"Overdraft Facility"	: The overdraft facility extended by Bank Sampoerna to the Group
"Overdraft Facility Renewal"	: The renewal of the Overdraft Facility as an interested person transaction
"Participant"	: The Chief Executive Officer and/or an Executive Director who has been selected by the Committee to be granted an Award pursuant to the Plan
"Performance Condition"	: In relation to a Performance-related Award, the condition specified on the Date of Grant in relation to that Award
"Performance-related Award"	: An Award in relation to which a Performance Condition is specified
"Performance Period"	: In relation to a Performance-related Award, a period, the duration of which is to be determined by the Committee on the Date of the Grant, during which the Performance Condition is to be satisfied
"Plan"	: The Samko Timber Performance Share Plan, as the same may be modified, altered or supplemented from time to time

DEFINITIONS

"PNDP"	: PT Pelayaran Nelly Dwi Putri
"Proposals"	Has the meaning ascribed to it in Section 1.1
"PSAT"	: PT Sampoerna Agro Tbk
"PSAT Group"	: PSAT and its subsidiaries
"PTBI"	PT Basirih Industrial
"Record Date"	: The date as at the close of business (or such other time as may have been prescribed by our Company) on which Shareholders must be registered in order to participate in the dividends, rights, allotments or other distributions (as the case may be)
"Register of Members"	: The register of members of the Company
"Release"	: In relation to an Award, the release at the end of the Vesting Period relating to that Award of all or some of the Shares to which that Award relates in accordance with Rule 7, and, to the extent that any Shares which are the subject of the Award are not released pursuant to Rule 7, the Award in relation to those Shares shall lapse accordingly, and "Released" shall be construed accordingly
"Released Award"	: An award in respect of which the Vesting Period relating to that Award has ended and which has been released in accordance with Rule 7
"Rules"	: Rules of the Plan, as may be modified or amended from time to time and any reference to a particular Rule shall be construed accordingly
"Securities Account"	: A securities account maintained by a Depositor with CDP
"Securities and Futures Act"	: The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
"SGX-ST"	: Singapore Exchange Securities Trading Limited
"Shareholders"	: Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
"Shares"	: Ordinary shares in the capital of the Company
"Singapore"	: The Republic of Singapore
"S\$" and "Cents"	: Singapore dollars and cents, respectively
"Vesting"	: In relation to the Shares which are the subject of a Released Award, the absolute entitlement to all or some of the Shares which are the subject of a Released Award, and "Vest" and "Vested" shall be construed accordingly

DEFINITIONS

“Vesting Date”	: The date on which Vesting occurs
“Vesting Period”	: In relation to an Award, a period or periods of time before Vesting occurs, the duration of which is to be determined by the Committee on the Date of Grant of the Award
“WTUPI”	: PT Wijaya Triutama Plywood Industri
“%” or “per cent.”	: Percentage or per centum

In this Circular:

- (a) The terms **“Depositor”**, **“Depository Register”**, and **“Depository Agent”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.
- (b) The terms **“subsidiary”**, **“treasury share”**, **“related company”**, and **“substantial Shareholder”** shall have the meanings ascribed to them respectively in the Companies Act.
- (c) The term **“subsidiary holdings”** shall have the meaning ascribed to it in the Listing Manual.
- (d) Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders.
- (e) References to persons shall include corporations.
- (f) Unless otherwise provided, references to Sections and Appendices are to sections and appendices of this Circular. References to Paragraphs are to paragraphs of the Appendices.
- (g) The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.
- (h) Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, Listing Manual, Securities and Futures Act, or any statutory modification thereof and used in this Circular shall, unless otherwise defined in this Circular, have the same meaning assigned to it under the Companies Act, Listing Manual, Securities and Futures Act, or any statutory modification thereof, as the case may be.
- (i) Any reference to a time of a day or date in this Circular shall be a reference to Singapore time and dates unless otherwise stated.
- (j) Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

SAMKO TIMBER LIMITED

(Incorporated in the Republic of Singapore on 26 December 2005)
(Company Registration No.: 200517815M)

Board of Directors:

Mr Eka Dharmajanto Kasih (*Non-Independent and Non-Executive Chairman*)
Mr Riko Setyabudhy Handoko (*Executive Director and Chief Executive Officer*)
Mr Michael Joseph Sampoerna (*Non-Independent and Non-Executive Director*)
Mr Koh Tji Beng @ Ambran Sunarko (*Non-Independent and Non-Executive Director*)
Mr Ng Cher Yan (*Lead Independent and Non-Executive Director*)
Mr Sim Idrus Munandar (*Independent and Non-Executive Director*)
Mr Wee Ewe Lay Laurence John (*Independent and Non-Executive Director*)

Registered Office:

7500A Beach Road
#08-305/307 The Plaza
Singapore 199591

12 April 2018

To: The Shareholders of Samko Timber Limited

Dear Sir / Madam

- (1) **THE ADOPTION OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN**
- (2) **THE ADOPTION OF THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PTBI**
- (3) **THE RENEWAL OF THE GENERAL MANDATE FOR THE CHARTER AND FREIGHT SERVICES TO BE PROVIDED BY PNDP**
- (4) **THE RENEWAL OF THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM WTUPI**
- (5) **THE RENEWAL OF THE GENERAL MANDATE FOR THE ACQUISITION OF PALM LOGS FROM THE PSAT GROUP**
- (6) **THE OVERDRAFT FACILITY RENEWAL AS AN INTERESTED PERSON TRANSACTION**

1. INTRODUCTION

- 1.1. The purpose of this Circular is to provide Shareholders with the relevant information pertaining to the following proposals ("**Proposals**");

- (a) the adoption of the Plan;
- (b) the General Mandate for the Acquisition of Face-Back Veneers from PTBI;
- (c) the renewal of the 2017 IPT General Mandates; and
- (d) the mandate for the Overdraft Facility Renewal, which constitutes an interested person transaction,

including the rationale for and the benefit to the Company and its entities at risk in connection therewith, and to seek Shareholders' approval for the same at the EGM, as set out in the Notice of EGM on pages 62 to 64 of this Circular.

- 1.2. The Chief Executive Officer and/or Executive Directors shall be eligible to participate in the Plan, and all participation is subject to the Rules as set out in Appendix A. The implementation of the Plan is set out in the ordinary resolution in the Notice of EGM accompanying this Circular. Controlling Shareholders and their Associates, and Non-Executive Directors are not eligible to participate in the Plan.

LETTER TO SHAREHOLDERS

- 1.3. On 6 April 2018, the SGX-ST granted its in-principle approval for the listing and quotation of the new Shares to be issued and allotted pursuant to the Plan, subject to (i) compliance with the SGX-ST listing requirements and guidelines; and (ii) independent Shareholders' approval being obtained for the adoption of the Plan. The in-principle approval of the SGX-ST is not to be taken as an indication of the merits of the Plan, the new Shares to be issued and allotted pursuant to the Plan, the Company and/or its subsidiaries.
- 1.4. The Proposals under Section 1.1(b) to (d) constitute "interested person transactions" under Chapter 9 of the Listing Manual and are subject to the approval of the Shareholders being obtained at the EGM to be convened.
- 1.5. Shareholders should read this Circular and the letter from the IFA to the Non-Interested Directors in Appendix B carefully and consider the recommendations of the Non-Interested Directors in Section 13 and the opinion of the IFA in respect of the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal.
- 1.6. The SGX-ST assumes no responsibility for the contents of this Circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

2. THE PROPOSED SAMKO TIMBER PERFORMANCE SHARE PLAN

2.1. Background and rationale for the Plan

The primary objective of establishing the Plan is to recognise and reward the eligible Participants for their valuable contributions to the growth and success of the Group as well as to retain such Participants whose services are vital to the Group's success in order to achieve greater growth in the Group. Eligible Participants under the Plan will have the opportunity to participate in the equity of the Company, thereby aligning the interests of the Participants with the interests of the Company and the Shareholders, motivating them towards long-term growth and profitability of the Group and better performance through increased dedication and incentives.

The Plan aims to promote higher performance goals, and recognise and reward the contributions made by the eligible Participants. The Plan contemplates the contingent award of fully-paid Shares after certain pre-determined benchmarks have been met. The Board believes that the Plan will be more effective than pure cash bonuses in motivating the eligible Participants to work towards pre-determined goals. Under the Plan, the eligibility of a Participant and the number of Award Shares granted to such Participant will be determined based on, among others, his length of service, job performance, potential for future development, and his contribution to the success and development of the Group, as determined by the Committee. The Performance Period is a forward-looking period for which Performance Conditions and targets are set and measured. The final Award is determined by the performance achievement over the Performance Period. The Performance Period, Vesting Period and other conditions will be determined by the Committee.

The objectives of the Plan are as follows:

- (a) provide an opportunity for Participants to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of Participants towards the Group;
- (b) motivate Participants to strive towards performance excellence and to maintain a high level of contribution to the Group;
- (c) give recognition to contributions made or to be made by Participants by introducing a variable component into their remuneration package;
- (d) make remuneration sufficiently competitive to recruit new Participants and/or to retain existing Participants whose contributions are important to the long-term growth and profitability of the Group; and
- (e) to foster ownership culture within the Company and align the interests of Participants with the interests of Shareholders.

LETTER TO SHAREHOLDERS

3. SUMMARY OF THE PLAN

3.1. Eligibility

The Chief Executive Officer and/or Executive Directors (including any Executive Director(s) to be appointed) shall be eligible to participate in the Plan, provided that such Chief Executive Officer and/or Executive Director has attained the age of 21 years on or before the Date of Grant, is not an undischarged bankrupt and has not entered into a composition with such Chief Executive Officer and/or Executive Director's creditors.

For the avoidance of doubt, Non-Executive Directors (including independent Directors), and Controlling Shareholders and their Associates are not eligible to participate in the Plan.

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan, the Performance Condition and the Vesting Period shall be determined at the absolute discretion of the Committee, which shall take into account the financial performance of the Group, and criteria such as the potential Participant's length of service, job performance, potential for future development, and his contribution to the success and development of the Group.

In addition, for Performance-related Awards, the extent of effort required to achieve the Performance Condition within the Performance Period shall also be considered.

Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Plan may be amended from time to time at the absolute discretion of the Committee, which would be exercised judiciously.

3.2. Size of the Plan

Subject to the provisions on variation of the capital, the total number of new Shares that may be offered to Participants in accordance with the Plan shall be determined at the absolute discretion of the Committee, but in any case shall not exceed 3.0% of all issued Shares (excluding treasury shares and subsidiary holdings) of the Company. The Directors believe that such discretion will give the Committee sufficient flexibility in adjusting the number of new Shares in respect of Awards to be granted, to achieve certain goals of the Company through the customisation of a compensation and incentive package suitable for each Participant.

The size of the Plan is in compliance with the Listing Manual, which provides that the aggregate number of Shares which may be issued and/or transferred pursuant to Awards granted under the Plan on any date, when added to the number of Shares issued and issuable and/or transferred and transferrable in respect of (a) all Awards granted under the Plan, and (b) all Shares available under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed 15.0% of the number of all issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date.

To enjoy greater flexibility in structuring remuneration and compensation packages, the Company believes that it should have a sufficient number of Shares to accommodate Awards issued under the Plan. Taking into consideration the number of issued Shares of the Company as well as the number of eligible Participants in the Plan, the Directors believe that a limit of 3.0% of the number of issued Shares of the Company in respect of the number of new Shares (comprised in Awards) to be issued pursuant to the Plan will enable the Company to grant a sufficient number of Awards to the Participants to create a meaningful compensation for the Participants' contributions.

3.3. Duration of the Plan

The Plan shall continue to be in operation at the discretion of the Committee for a maximum period of 10 years commencing on the date on which the Plan is adopted by the Company in a general meeting, provided always that the Plan may, subject to applicable laws and regulations, continue beyond the above stipulated period with the approval of the Shareholders of the Company by ordinary resolution in general meeting and of any relevant authorities which may then be required.

LETTER TO SHAREHOLDERS

3.4. Grant of Awards

Participants are not required to pay for the grant of Awards. Subject to the limits on the size of the Plan as provided in Section 3.2, the Committee may grant Awards to Participants in its absolute discretion, at any time during the period when the Plan is in force.

The Committee shall decide, in its absolute discretion, in relation to each Award:

- (a) the Participant;
- (b) the Date of Grant;
- (c) the number of Shares which are the subject of the Award;
- (d) the prescribed Vesting Period(s);
- (e) the extent to which Shares which are the subject of that Award shall be Released at the end of each prescribed Vesting Period; and
- (f) in the case of a Performance-related Award, the Performance Period and the Performance Condition.

The Committee may amend or waive the Vesting Period(s) and, in the case of a Performance-related Award, the Performance Period and/or the Performance Condition in respect of any Award:

- (a) in the event of a general offer (whether conditional or unconditional) being made for all or any part of the Shares, or a scheme of arrangement or compromise between the Company and its Shareholders being sanctioned by the court under the Companies Act, or a proposal to liquidate or sell all or substantially all of the assets of the Company; or
- (b) in the case of a Performance-related Award, if anything happens which causes the Committee to conclude that:
 - (i) a changed Performance Condition would be a fairer measure of performance, and would be no less difficult to satisfy; or
 - (ii) the Performance Condition should be waived as the Participant has achieved a level of performance that the Committee considers satisfactory notwithstanding that the Performance Condition may not have been fulfilled, and shall notify the Participants of such change or waiver (but accidental omission to give notice to any Participant(s) shall not invalidate any such change or waiver).

3.5. Adjustment events

If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves, rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet Vested and the rights attached thereto; and/or
- (b) the class and/or number of Shares in respect of which Awards may be granted under the Plan,

may, at the option of the Committee, be adjusted in such manner as the Committee may determine to be appropriate, provided that any such adjustment shall be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive.

Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

LETTER TO SHAREHOLDERS

Notwithstanding the provisions of the foregoing, any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

3.6. Modifications to the Plan

Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by resolution of the Board, except that:

- (a) no modification or alteration shall be made which would adversely affect the rights attached to any Award granted prior to such modification or alteration except with the prior consent in writing of such number of Participants who, if their Awards were Released to them upon the expiry of all the Vesting Periods applicable to their Awards, would be entitled to not less than 75.0% of the aggregate number of the Shares which would fall to be Vested upon the Release of all outstanding Awards upon the expiry of all the Vesting Periods applicable to all such outstanding Awards;
- (b) no modification or alteration shall be made to the advantage of Participants except with the prior approval of the Shareholders of the Company in general meeting; and
- (c) no modification or alteration shall be made without the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

Notwithstanding anything to the contrary in the foregoing, the Board may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Plan in any way to the extent necessary to cause the Plan to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

3.7. Events prior to the Vesting Date

An Award, to the extent not yet Released, shall forthwith become void and cease to have effect on the occurrence of any of the following events (and in such an event, the Participant shall have no claim whatsoever against the Company, its Directors or employees):

- (a) a Participant, ceasing for any reason whatsoever, to be a confirmed employee of the Company;
- (b) a Participant ceasing to be the Chief Executive Officer and/or an Executive Director, as the case may be, for any reason whatsoever;
- (c) upon the bankruptcy of the Participant or the happening of any other event which results in him being deprived of the legal or beneficial ownership of or interest in such Award;
- (d) ill health, injury, disability or death of a Participant;
- (e) a Participant committing any breach of any of the terms of his Award;
- (f) misconduct on the part of a Participant as determined by the Company in its discretion;
- (g) a take-over, winding-up or reconstruction of the Company; and/or
- (h) any other event approved by the Committee.

For the purpose of (a) above, a Participant shall be deemed to have ceased to be a confirmed employee of the Company on the date on which he gives notice of termination of employment (notwithstanding that such Participant may still be an employee of the Company during his notice period, if any), unless prior to the date on which termination takes effect, the Participant has (with the consent of the Company) withdrawn such notice.

For the purpose of (b) above, a Participant shall be deemed to have ceased to be Chief Executive Officer and/or Executive Director as at the date the notice of resignation of or termination of appointment, as the case may be, is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

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The Committee may in its absolute discretion and on such terms and conditions as it deems fit, preserve all or any part of any Award notwithstanding the provisions of any Rules. Further to such exercise of discretion, the Awards shall be deemed not to have become void nor cease to have effect in accordance with the provisions herein.

Without prejudice to the provisions of Rules 5.3 and 7.1, to the extent of an Award yet to be Released, if any of the following occurs:

- (a) a general offer (whether conditional or unconditional) being made for all or any part of the Shares;
- (b) a scheme of an arrangement or compromise between the Company and its Shareholders being sanctioned by the court under the Companies Act;
- (c) an order for the compulsory winding-up of the Company being made; or
- (d) a resolution for a voluntary winding-up (other than for amalgamation or reconstruction) of the Company being made,

the Committee may consider, at its discretion, whether or not to Release such Award. If the Committee decides to Release such Award, then in determining the number of Shares to be Vested in respect of such Award, the Committee will have regard to the proportion of the Vesting Period(s) which has elapsed and the extent to which the Performance Condition (if any) has been satisfied. Where such Award is Released, the Committee will, as soon as practicable after such Release, procure the allotment or transfer to each Participant of the number of Shares so determined, such allotment or transfer to be made in accordance with Section 3.8. If the Committee so determines, the Release may be satisfied in cash as provided in Section 3.8.

3.8. Release of Awards

- (a) In relation to each Performance-related Award, as soon as reasonably practicable after the end of the relevant Performance Period, the Committee shall review the Performance Condition specified in respect of that Award and determine whether it has been satisfied and, if so, the extent to which it has been satisfied. If the Committee determines in its sole discretion that the Performance Condition has not been satisfied or if the relevant Participant has not continued to be the Chief Executive Officer and/or Executive Director from the Date of Grant up to the end of the relevant Vesting Period, that Award shall lapse and be of no value and the provisions of Rule 7 (save for Rule 7.1(a)) shall be of no effect.

The Committee shall have the discretion to determine whether the Performance Condition has been satisfied (whether fully or partially) or exceeded and, in making any such determination, the Committee shall have the right to make computational adjustments to the audited results of the Company or the Group, as the case may be, to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events.

Subject to:

- (i) (in relation to a Performance-related Award) the Committee having determined that the Performance Condition has been satisfied;
- (ii) the relevant Participant having continued to be the Chief Executive Officer and/or Executive Director from the Date of Grant up to the end of the relevant Vesting Period;
- (iii) the Committee being of the opinion that the job performance of the relevant Participant has been satisfactory;
- (iv) such consents (including any approvals required by the SGX-ST) as may be necessary being obtained;
- (v) compliance with the terms of the Award, the Plan, and the Constitution;
- (vi) where Shares are to be allotted or transferred on the Release of an Award, the Participant having a Securities Account and complying with the applicable requirements of CDP; and

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- (vii) where Shares are to be allotted on the Release of an Award, the Company being satisfied that the Shares which are the subject of the Released Award will be listed for quotation on the SGX-ST, upon the expiry of each Vesting Period in relation to an Award, the Company shall Release to the relevant Participant the Shares to which his Award relates on the Vesting Date.
- (b) Shares which are the subject of a Released Award shall be Vested to a Participant on the Vesting Date, which shall be a Market Day falling as soon as practicable after the Release of such Award in accordance with Rule 7.1(a) and, on the Vesting Date, the Committee will procure the allotment or transfer of such Shares to each Participant. The Committee shall determine, in its sole and absolute discretion, whether to deliver such Shares by way of an issue of new Shares or the purchase of existing Shares or a combination of both methods.
- (c) Where Shares are allotted upon the Vesting of any Award, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST for the listing and quotation of such Shares.

Shares which are allotted or transferred on the Release of an Award to a Participant shall be registered in the name of, or transferred to, CDP to the credit of the Securities Account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent.

Shares allotted and issued, and existing Shares procured by the Company on behalf of the Participants for transfer, upon the Release of an Award shall:

- (aa) be subject to all the provisions of the Constitution; and
- (bb) rank for any dividend, right, allotment or other distribution on the Record Date which is on or after the relevant Vesting Date and (subject as aforesaid) will rank *pari passu* in all respects with the Shares then existing.

The Committee may determine to make a Release, wholly or partly, in the form of cash rather than Shares which would otherwise have been allotted and issued to the Participant upon the Release of an Award on the relevant Vesting Date, in which event the Company shall pay to the Participant as soon as practicable after such Vesting Date, in lieu of all or part of such Shares, the aggregate Market Value of such Shares on such Vesting Date.

3.9. Maximum entitlements

Subject to the limits on the size of the Plan as set out in Section 3.2, the number of new Shares which may be the subject of Awards granted to a Participant in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take into consideration, where applicable, the financial performance of the Group and criteria such as the Participant's length of service, job performance, potential for future development, and his contribution to the success and development of the Group, and, in the case of Performance-related Awards, the extent of effort required to achieve the Performance Condition within the Performance Period.

3.10. Annual report disclosure

The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Plan continues in operation:

- (a) the names of the members of the Committee;
- (b) information as required in Section 3.10(c) below in respect of each of the following Participants:
 - (i) Directors;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Participants, other than those in (i) and (ii) above, who receive Awards comprising Shares representing 5.0% or more of the aggregate of the total number of Shares available under the Plan;

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- (c) in relation to each of the abovementioned Participants, the following particulars:
 - (i) the aggregate number of Shares comprised in Awards granted during the financial year under review, including the terms thereof;
 - (ii) the aggregate number of Shares comprised in Awards granted since the commencement of the Plan to the end of the financial year under review;
 - (iii) the aggregate number of Shares comprised in Awards which have Vested since the commencement of the Plan to the end of the financial year under review; and
 - (iv) the aggregate number of Shares comprised in Awards which have not been Released as at the end of the financial year under review; and
- (d) an appropriate negative statement if any of the disclosures above in the foregoing of this Section is not applicable.

3.11. Administration of the Plan

The Plan shall be administered by the Committee in its absolute discretion, with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him or held by him.

The Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan, to give effect to the provisions of the Plan and/or to enhance the benefit of the Awards and the Released Awards to the Participants, as it may, in its absolute discretion, think fit.

The Company shall bear the costs of establishing and administering the Plan.

4. FINANCIAL EFFECTS OF THE PLAN

The following sets out the financial effects of the Plan:

4.1. Share capital

The Plan may result in an increase in the Company's issued Share capital to the extent that new Shares are allotted and issued pursuant to the grant of the Awards. This number of new Shares issued will in turn depend on, *inter alia*, the number of Shares which are subject of an Award. However, there will be no impact on the Company's issued Share capital if existing Shares are purchased for delivery to Participants in lieu of issuing new Shares, or if the Shares which are the subject of Awards granted do not eventually Vest.

4.2. EPS

The Plan is likely to result in a charge to earnings over the period from the Date of Grant to the Vesting Date, computed in accordance with the FRS 102. However, it should be noted that the delivery of Shares to Participants of the Plan will generally be contingent upon the Participants meeting the prescribed performance targets and conditions.

4.3. NTA

As described herein, the Plan will result in a charge to the Group's statement of comprehensive income equal to the market value at which the new Shares are issued or liability recognised. The amount of the charge will be computed in accordance with the FRS 102. When new Shares are issued pursuant to the Vesting of Shares issued pursuant to Awards, there would be no effect on the NTA due to the offsetting effect of expenses recognised and the increase in Share capital. However, if existing Shares are purchased for delivery to Participants in lieu of issuing new Shares, the NTA would be impacted by the cost of the Shares purchased.

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4.4. Potential cost of Awards

FRS 102 relating to share-based payment takes effect for all listed companies beginning 1 January 2005. Participants will receive Shares and the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the income statement over the period between the Date of Grant and the Vesting Date of an Award. The total amount of the charge over the Vesting Period is determined by reference to the fair value of each Award granted at the Date of Grant and the number of Shares vested at the Vesting Date, with a corresponding credit to reserve account. Before the end of the Vesting Period, at each accounting year end, the estimate of the number of Awards that are expected to Vest by the Vesting Date is subject to revision, and the impact of the revised estimate will be recognised in the income statement with a corresponding adjustment to the reserve account. After the Vesting Date, no adjustment to the charge to the income statement will be made. This accounting treatment has been referred to as the “modified grant date method” because the number of Shares included in the determination of the expense relating to employee services is adjusted to reflect the actual number of Shares that eventually Vest but no adjustment is made to changes in the fair value of the Shares since the Date of Grant.

The amount charged to the income statement would be the same whether the Company settles the Awards by issuing new Shares or by purchasing existing Shares. The amount of the charge to the income statement also depends on whether or not the performance target attached to an Award is a “market condition”, that is, a condition which is related to the market price of the Shares. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Shares granted at the Date of Grant, and no adjustments to amounts charged to the income statement is made if the market condition is not met. On the other hand, if the performance target is not a market condition, the fair value per Share of the Awards granted at the Date of Grant is used to compute the amount to be charged to the income statement at each accounting date, based on an assessment at that date of whether non-market conditions would be met to enable the Awards to Vest. Thus, where the Vesting conditions do not include a market condition, there would be no charge to the income statement if the Awards do not ultimately Vest.

5. CHAPTER 9 OF THE LISTING MANUAL

5.1. Background

Chapter 9 of the Listing Manual governs transactions by a listed company or any of its subsidiaries or associated companies (each known as an “**entity at risk**”) with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.

5.2. Definitions of key terms used in Chapter 9 of the Listing Manual

For the purpose of Chapter 9 of the Listing Manual:

- (a) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Listing Manual;
- (b) in the case of a company, an “**associate**” means:
 - (i) in relation to any director, chief executive officer, substantial shareholder, or controlling shareholder (being an individual), his Immediate Family, the trustees of any trust of which he or his Immediate Family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which he and his Immediate Family together (directly or indirectly) have an interest of 30% or more; and
 - (ii) in relation to a substantial shareholder or controlling shareholder (being a company), any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;

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- (c) an **"associated company"** means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;
- (d) a **"controlling shareholder"** is a person who holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares and subsidiary holdings in the listed company, or in fact exercises control over the listed company;
- (e) an **"entity at risk"** means a listed company, a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange or an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group or the listed group and its interested person(s) has control over the associated company;
- (f) in the case of a company, an **"interested person"** means a director, chief executive officer or controlling shareholder of a listed company, or an associate of such director, chief executive officer or controlling shareholder;
- (g) an **"interested person transaction"** means a transaction between an entity at risk and an interested person;
- (h) a **"transaction"** includes, whether or not in the ordinary course of business and whether or not entered into directly or indirectly (for example, through one or more interposed entities), the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments; and
- (i) a **"listed company"** means a company admitted to the Official List of the SGX-ST and not removed.

5.3. Materiality thresholds

Save for transactions which are not considered to put the listed company at risk and which are therefore excluded from the ambit of Chapter 9 of the Listing Manual, an immediate announcement and/or shareholders' approval would be required in respect of these transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.

In particular, an immediate announcement is required where:

- (a) the value of an interested person transaction is equal to, or more than, 3% of the listed group's latest audited consolidated NTA; or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the listed group's latest audited consolidated NTA. In this instance, the announcement will be required to disclose the latest transaction and all future transactions entered into with that same interested person during the financial year.

Shareholders' approval is required where:

- (i) the value of an interested person transaction is equal to, or more than, 5% of the listed group's latest audited consolidated NTA; or
- (ii) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 5% or more of the listed group's latest audited consolidated NTA. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been previously approved by shareholders.

The abovementioned requirements for immediate announcement and shareholders' approval do not apply to any transaction below S\$100,000.

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5.4. General mandate

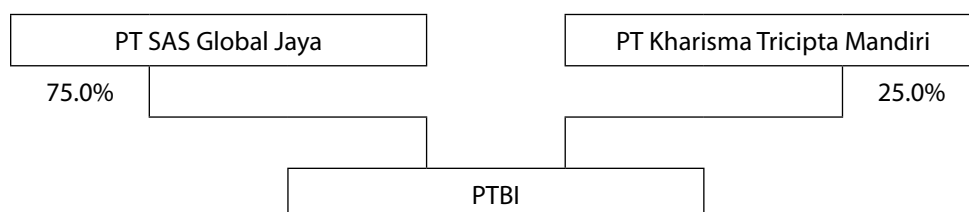
Part VIII of Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons where such transactions are of a revenue or trading nature or necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate granted by shareholders is subject to annual renewal.

Transactions conducted under a general mandate approved by shareholders are not separately subject to the abovementioned requirements for immediate announcement and shareholders' approval.

6. THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PTBI

6.1. Classes of mandated interested persons under the General Mandate for the Acquisition of Face-Back Veneers from PTBI

PTBI is a company based in Indonesia and is engaged in the business of, *inter alia*, processing forest products, especially wood and rattan and conducting trading in general. As at the date of this Circular, the shareholding structure of PTBI is as follows:



As at the date of this Circular, Mr Koh Tji Kiong @ Amir Sunarko, who is the brother of Mr Koh Tji Beng @ Ambran Sunarko, and his Immediate Family collectively hold, indirectly through PT SAS Global Jaya, more than 30% of the shares in PTBI. As Mr Koh Tji Beng @ Ambran Sunarko is a Director of the Company, Mr Koh Tji Kiong @ Amir Sunarko and PTBI are considered to be Associates of Mr Koh Tji Beng @ Ambran Sunarko, and therefore interested persons. Accordingly, the acquisition of face-back veneers by the Group from PTBI will be regarded as interested person transactions under Chapter 9 of the Listing Manual.

6.2. Previous transactions with PTBI in FY2017

As previously announced by the Company on 14 November 2017, the aggregate value of all transactions entered into between the Group and PTBI for FY2017 was approximately IDR 2,496,000,000, which is approximately 4.0% of the audited consolidated NTA of the Group for FY2016 (being the latest audited consolidated NTA of the Group prior to the entry into the transactions with PTBI).

6.3. Rationale for and benefit of the General Mandate for the Acquisition of Face-Back Veneers from PTBI

The Group produces various sizes and grades of processed timber products, including plywood. Plywood is manufactured by glueing plywood layers (also known as face-back veneers) together. The veneers used in the manufacturing of plywood typically comprises the face, back and core veneers, and the quality of the veneers used is typically the determining factor in the quality of plywood produced for export. Whilst the Group produces its own veneers, the Group may also need to source for such veneers from other suppliers as and when the need arises. The need to purchase veneers from other suppliers typically arises when the demand in orders of plywood from export markets increases and the Group's internal production is unable to cope with such increase in demand due to unforeseen disruptions in the supply of logs, the manufacturing process or other unforeseen circumstances. As the Group expects the demand in orders of plywood from export markets to increase, it has therefore become increasingly important that quality veneers are available if demand for export quality plywood increases. The Group believes that PTBI has the experience to produce quality veneers and the General Mandate for the Acquisition of Face-Back Veneers from PTBI will also provide the Group with the flexibility to acquire veneers in the event of any disruptions in supply.

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The General Mandate for the Acquisition of Face-Back Veneers from PTBI will eliminate the need for the Group to convene a general meeting on each occasion to seek Shareholders' prior approval to allow the Group to enter into such interested person transactions. This will substantially reduce the expenses associated with the convening of general meetings (including the engagement of external advisers and preparation of documents) on an *ad-hoc* basis, improve administrative efficacy, and allow manpower resources and time to be channelled towards attaining other business objectives.

6.4. Scope of transactions under the General Mandate for the Acquisition of Face-Back Veneers from PTBI

The Group wishes to obtain Shareholders' approval for the General Mandate for the Acquisition of Face-Back Veneers from PTBI, under which the Group may enter into recurrent transactions with PTBI in respect of the acquisition of face-back veneers from PTBI.

6.5. Guidelines and review procedures for the General Mandate for the Acquisition of Face-Back Veneers from PTBI

6.5.1. Review procedures

To ensure that all Mandated Transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, all Mandated Transactions shall be conducted in accordance with the Group's usual business practices and policies and on terms which are generally not less favourable than those extended by unrelated third parties. The Group has put in place the following review procedures for interested person transactions which will be implemented by the Group for the Mandated Transactions: and

- (a) before entering into Mandated Transactions, quotations from at least 2 unrelated or independent third parties in respect of the same or substantially the same type of services or goods will be used as comparison wherever appropriate and practicable. While other factors (as set out in Section 6.5.1(b) below) will be taken into consideration, the rates or prices shall not be higher than the most favourable rate or price of the 2 other comparable quotations obtained from the 2 unrelated or independent third parties; and
- (b) in circumstances where it is not practicable or appropriate to compare against the terms of other transactions or quotations with unrelated or independent third parties or to obtain comparable prices and terms of contemporaneous transactions of similar goods or services of at least 2 other quotations (as set out in Section 6.5.1(a) above) from unrelated or independent third parties, an Executive Officer of the Group (with no interests in the transaction) shall, in determining whether the rates or prices are fair and reasonable, take into consideration the following factors:
 - (i) known available terms and conditions of recent comparable transactions;
 - (ii) availability of services required;
 - (iii) duration of contract;
 - (iv) strategic purposes of the transaction;
 - (v) volume of transaction;
 - (vi) scope, size, complexity, and resources required;
 - (vii) specifications required;
 - (viii) costing analysis;
 - (ix) historical rates or prices paid by the Group for such services or goods;
 - (x) publicly available data; and/or
 - (xi) track record of the relevant interested person.

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6.5.2. Approval and review threshold limits

The Group will monitor the categories of all Mandated Transactions as follows:

- (a) for all Mandated Transactions which are above S\$100,000:

(i)	Approval Limits	Approving Authority
	Value of transaction is less than 3% of the latest audited consolidated NTA of the Group	Chief Financial Officer Failing which, another Executive Officer of the Group who: (aa) does not have any interest (direct or indirect) in relation to the relevant transaction; (bb) is not from the relevant department which raise the purchase request; and (cc) is not a director of the relevant interested person
	Value of transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the Group	Audit Committee

- (ii) where the value of any individual transaction (excluding transactions below the value of \$100,000), when aggregated with other transactions entered into with the relevant interested person during the same financial year, is equal to or exceeds 3% of the latest audited consolidated NTA of the Group, it must be approved by the Audit Committee prior to entry; and
- (iii) where the value of any individual transaction (excluding transactions below the value of \$100,000), when aggregated with other transactions entered into with the relevant interested person during the same financial year, is below 3% of the latest audited consolidated NTA of the Group, it must be approved prior to entry in accordance with the approval limits and by the corresponding approving authority as described in Section 6.5.2(a)(i).

Any transaction to be made under the General Mandate for the Acquisition of Face-Back Veneers from PTBI shall not be approved by the relevant approving authority unless:

- (aa) where quotations from at least 2 unrelated or independent third parties in respect of the same or substantially the same type of services or goods are obtained, the rates or prices from the relevant interested person (taking into consideration the other factors as set out in Section 6.5.1(b) is not higher than the most favourable rate or price of the 2 other comparable quotations obtained from the 2 unrelated or independent third parties; or
- (bb) where Section 6.5.1(b) applies, the considerations in determining whether the price and terms offered are fair and reasonable as set out in Section 6.5.1(b) are properly taken into account and documented;
- (b) all approvals must strictly follow the review procedures as stipulated in this Section 6.5 and must be documented. The documentation, including the reasons for approval where necessary, must be accompanied with supporting documents to serve as audit trails, which will be subject to internal and/or external audit;
- (c) in addition to the above, the Chief Financial Officer (or equivalent person) will review (and document such review) all interested person transactions (including the Mandated Transactions) which are less than S\$100,000 in value and its register on a quarterly basis or such other period as determined by the Audit Committee; and

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- (d) the above threshold limits are adopted by the Company after taking into account, among other things, the nature, volume, recurrent frequency and size of the transactions as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at with the view to strike a balance between (i) maximising the operation efficiency of the day-to-day operations of the Group, and (ii) maintaining adequate internal controls and governance in relation to the interested person transactions conducted under the Mandated Transactions. The threshold limits are intended to act as an additional safeguard to supplement the review procedures as set out above.

6.5.3. Additional controls

In addition to the review procedures set out in Section 6.5.2, the Group has implemented the following procedures for Mandated Transactions:

- (a) the Company's internal auditors will review, on a quarterly basis, all interested person transactions (including the Mandated Transactions) to ensure that the relevant review procedures have been adhered to and the relevant approvals had been obtained, including the established procedures for monitoring the Mandated Transactions. The internal auditors will report directly to the Audit Committee. The Company's annual internal audit plan will incorporate a review of such interested person transactions (including the Mandated Transactions) entered into in the relevant financial year and the findings will be reported to the Audit Committee;
- (b) the Audit Committee will review the quarterly internal audit reports and the review procedures for interested person transactions to determine if they are adequate and/or commercially practicable in ensuring that all interested person transactions (including the Mandated Transactions) are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, and in accordance with the review procedures outlined above. Furthermore, if during these periodic reviews, the Audit Committee is of the view that the review procedures as set out in Section 6.5 are no longer sufficient or appropriate to ensure that (i) the Mandated Transactions will be carried out on normal commercial terms and (ii) will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will adopt new guidelines and review procedures for the Mandated Transactions. All new interested person transactions conducted under the Mandated Transactions will be reviewed and approved by the Audit Committee prior to entry while a fresh general mandate is being sought from Shareholders. The Audit Committee will request for the opinion of an independent financial adviser (where applicable) or an independent valuer as it deems fit;
- (c) the Chief Financial Officer (or equivalent person) shall maintain a list of Directors and Controlling Shareholders, which shall be updated as and when there are any changes to the Directors and/or Controlling Shareholders, to enable the identification of interested persons; and
- (d) in the event that the Chief Executive Officer, the Chief Financial Officer, any Executive Officer, any Director and/or any member of the Audit Committee has an interest in any interested person transaction, he will abstain from deliberating on, reviewing and/or approving (as the case may be) that particular transaction.

In addition to the above, the Company will implement the following additional procedures for interested person transactions, including the Mandated Transactions;

- (i) the Audit Committee will review all interested person transactions (including the Mandated Transactions) on a quarterly basis (except where Mandated Transactions are required under the review procedures to be approved by the Audit Committee prior to the entry thereof) to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual) and the guidelines under the General Mandate for the Acquisition of Face-Back Veneers from PTBI are complied with. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other documents deemed necessary by the Audit Committee. If necessary or appropriate, the Audit Committee has the right to require the appointment of independent sources, advisers, and/or independent valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review and report the findings to the Audit Committee;

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- (ii) the Company will prepare and maintain a register to record all interested person transactions (including the Mandated Transactions and transactions below S\$100,000) which are entered into by the Group, recording and documenting the identity of the interested persons and the basis, including quotations obtained from unrelated third parties, supporting evidence and details of any other factors considered, to support the basis on which the interested person transactions (including the Mandated Transactions) were entered into as well as the approving authority. The register shall be prepared, maintained and monitored by personnel of the Company (who shall not be interested in any of the interested person transactions) who is duly delegated to do so by the Audit Committee and any exceptions or departures from the review procedures shall be reported and highlighted to the Audit Committee immediately. The Chief Financial Officer (or the equivalent person) shall review the register on a quarterly basis (and document such review); and
- (iii) the Audit Committee shall review the list of Directors and Controlling Shareholders of the Company on an annual basis.

6.5.4. Expiry and renewal of the General Mandate for the Acquisition of Face-Back Veneers from PTBI

If approved by Shareholders at the EGM, the General Mandate for the Acquisition of Face-Back Veneers from PTBI will take effect from the date of receipt of Shareholders' approval and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next AGM. Approval from Shareholders may be sought for the renewal of the General Mandate for the Acquisition of Face-Back Veneers from PTBI at each subsequent AGM of the Company, subject to review by the Audit Committee of its continued application to the interested person transactions.

If the Audit Committee is of the view that the review procedures under the General Mandate for the Acquisition of Face-Back Veneers from PTBI have become inappropriate or are not sufficient to ensure that the interested person transactions under the General Mandate for the Acquisition of Face-Back Veneers from PTBI are transacted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh general mandate from the Shareholders based on new review procedures for the Mandated Transactions.

6.5.5. Disclosure

Pursuant to Rule 920(1)(a) of the Listing Manual, the Company will:

- (a) disclose the General Mandate for the Acquisition of Face-Back Veneers from PTBI in the annual report, providing details of the aggregate value of transactions conducted pursuant to the General Mandate for the Acquisition of Face-Back Veneers from PTBI during the relevant financial year; and
- (b) announce the aggregate value of transactions conducted pursuant to the General Mandate for the Acquisition of Face-Back Veneers from PTBI for the financial periods which it is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report.

These disclosures will be in the form set out in Rule 907 of the Listing Manual.

7. THE PROPOSED RENEWAL OF THE 2017 IPT GENERAL MANDATES

- 7.1. At the 2017 EGM, the Company had sought and obtained the approval of Shareholders for, *inter alia*, the adoption of the 2017 IPT General Mandates to enable the Company, its subsidiaries and associated companies, to enter in the ordinary course of business into certain types of transactions with specified classes of the Company's "interested persons", provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such transactions. Particulars of the 2017 IPT General Mandates were set out in the 2017 Circular.
- 7.2. The 2017 IPT General Mandates are subject to annual renewal and their validity period will expire on the date of the forthcoming AGM or the date by which the next AGM is required by law to be held. Accordingly, it is proposed that the renewal of the 2017 IPT General Mandates be tabled to Shareholders for approval at the forthcoming EGM held immediately after the forthcoming AGM.

LETTER TO SHAREHOLDERS

- 7.3.** The 2017 IPT General Mandates, the particulars of the interested person transactions in respect of which the 2017 IPT General Mandates are sought, including the rationale for and the benefit to the Company and its entities at risk, and the guidelines and review procedures for the 2017 IPT General Mandates remain unchanged and are set out in Appendix C.

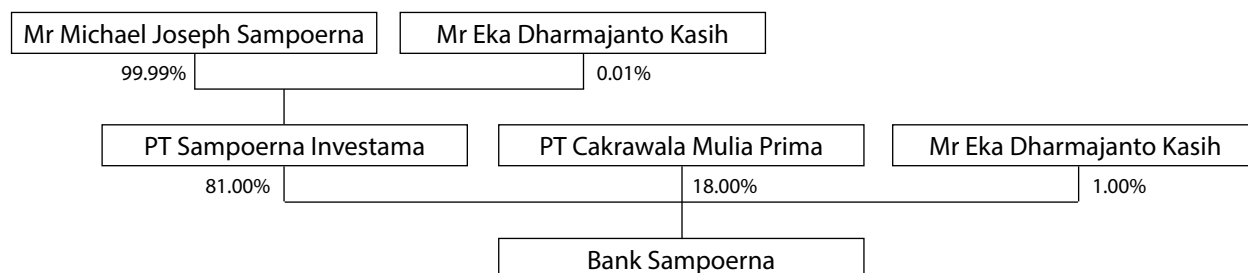
8. THE OVERDRAFT FACILITY RENEWAL AS AN INTERESTED PERSON TRANSACTION

8.1. Introduction

The Company had, at the 2017 EGM, sought and obtained the approval of Shareholders for, *inter alia*, the 2017 Overdraft Facility Renewal Mandate. Particulars of the 2017 Overdraft Facility Renewal Mandate were set out in the 2017 Circular. The Company intends to renew once again the Overdraft Facility, and is accordingly seeking the approval of Shareholders for the same.

8.2. Information on Bank Sampoerna

Bank Sampoerna is a private bank established in Indonesia, offering regular financial services to small and medium enterprises, individuals and companies in Indonesia. As at the date of this Circular, the shareholding structure of Bank Sampoerna is as follows:



As Mr Michael Joseph Sampoerna is a Director of the Company, Bank Sampoerna is an interested person. Accordingly, the Overdraft Facility Renewal is an interested person transaction under Chapter 9 of the Listing Manual.

8.3. Details of the Overdraft Facility Renewal

8.3.1. Background

As mentioned above, the Company had at the 2017 EGM sought and obtained the approval of Shareholders for, *inter alia*, the 2017 Overdraft Facility Renewal Mandate. Following the 2017 EGM, the Group renewed the Overdraft Facility for IDR 60,000,000,000 for a total period of 12 months commencing from April 2017 at a fixed interest rate of 13.5% per annum, for working capital purposes. Based on the audited consolidated financial statements of the Group as at 31 December 2017, the aggregate value of the interest expense and other charges on the overdraft facility was approximately IDR 5,137,000,000, which represented approximately 8.2% of the audited consolidated NTA of the Group as at 31 December 2016.

8.3.2. Terms of the Overdraft Facility Renewal

As the Overdraft Facility granted by Bank Sampoerna as described above is maturing, Bank Sampoerna has offered to extend the overdraft facility on the following key terms and conditions:

Facility	Overdraft facility
Amount of Facility	IDR 60,000,000,000
Purpose of Facility	Working capital
Period	12 months commencing on 28 April 2018
Effective interest rate per annum	13.5% fixed rate per annum
Credit / Provision fee	1% per annum
Administration Fee	IDR 5,000,000

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The terms and conditions of the Overdraft Facility Renewal, including the interest rate and provision fee, were commercially negotiated between the Group and Bank Sampoerna, taking into account the prevailing interest rates, the financial condition of the Group, as well as the availability of overdraft facilities to the Group from other banks in Indonesia. The provision fee of 1% charged by Bank Sampoerna for providing an overdraft facility for working capital purposes is not uncommon in Indonesia. Taking into account the terms of the Overdraft Facility Renewal as a whole, the Company is of the view that the provision fee obtained by the Company was commercially acceptable. No security is required to be provided in relation to the Overdraft Facility Renewal.

8.3.3. Shareholders' approval

Assuming that the renewed Overdraft Facility is fully utilised, the interest and other charges to be paid pursuant to the Overdraft Facility Renewal would amount to approximately IDR 8,705,000,000, which represents approximately 10.6% of the latest audited consolidated NTA of the Group as at 31 December 2017 (being the latest audited consolidated NTA of the Group as at the date of this Circular). As such, in accordance with Rule 906(1)(a) of the Listing Manual, Shareholders' approval is required for the Overdraft Facility Renewal.

8.4. **Rationale for and benefit of the Overdraft Facility Renewal**

The Group regularly requires financing for working capital purposes, and in particular, the readiness of available funds is critical in order for the Group to purchase raw materials to fulfil its orders for timber products.

The economic slowdown in Indonesia and globally, in particular, for commodity businesses, has persisted since the 2017 Circular. Banks in Indonesia have remained cautious in providing new loans to their clients. Given the past financial results of the Group, it is difficult for the Group to obtain further loans from other banks for working capital without the provision of security. Delays faced by the Group in obtaining such additional financing may affect the Group's ability to fulfil orders in a timely manner, reduce cost efficiency, and affect the Group's operations generally. The availability of the Overdraft Facility will provide the Group with the flexibility the Group requires when demand for its products increases, which in turn necessitates the purchase of more raw materials, and the Group will be able to secure raw materials in a timely and cost effective manner.

In addition, as at the date of this Circular, the Group has approached 5 other banks in Indonesia to provide quotes for an IDR 60,000,000,000 working capital overdraft facility. All 5 banks have declined the Group's request for an additional working capital loan for IDR 60,000,000,000 on the same terms and conditions as that provided by Bank Sampoerna without the Group providing security.

In the event that Shareholders' approval for the Overdraft Facility Renewal is not obtained, the unavailability of working capital overdraft facilities may affect the Group's operations.

Notwithstanding the proposed renewal of the Overdraft Facility, the Company will continue to seek other alternative financing arrangements. In the event that other banks propose to offer overdraft facilities to the Group, such offer will be brought to the attention of the Audit Committee for review and approval. If the Audit Committee deems such overdraft facilities to be on better terms, the Company will enter into and utilise such facilities before utilising the renewed Overdraft Facility.

8.5. **Details of the interested person transactions**

Disregarding transactions below S\$100,000 in accordance with Rules 905(3) and 906(2) of the Listing Manual, the aggregate value of all transactions entered into between the Group and Mr Michael Joseph Sampoerna and his Associates for FY2017 is approximately IDR 11,538,000,000, comprising (i) approximately IDR 6,401,000,000¹ to PT Sampoerna Land for office rental, and (ii) approximately IDR 5,137,000,000 to Bank Sampoerna for interest expenses and other charges.

9. **INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS**

9.1. Based on the Company's register of interest of Directors and register of substantial Shareholders respectively, as at the date of this Circular, the interests of the Directors and substantial Shareholders in the Company in the Shares are as follows:

¹ The Group had entered into the lease for office rental from PT Sampoerna Land in January 2015 for a term of 3 years (i.e. from 2015 to 2017). The aggregate value of this transaction for the 3-year term of the aforementioned lease had been approximately IDR 16,481,000,000, which was approximately 2.8% of the latest audited NTA of the Group at the material time, which had been the audited NTA for FY2013 (being approximately IDR 591,628,000,000).

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Directors and/or substantial Shareholders	Direct Interest		Deemed Interest		Total	
	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
Directors						
Koh Tji Beng @ Ambran Sunarko ⁽¹⁾	148,473,230	6.25	-	-	148,473,230	6.25
Riko Setyabudhy Handoko	667,900	0.03	-	-	667,900	0.03
Substantial Shareholders (other than Directors)						
Sampoerna Forestry Limited	1,520,673,015	64.05	-	-	1,520,673,015	64.05
First Fortuna Holdings Pte Ltd	150,597,000	6.34	-	-	150,597,000	6.34
Koh Tji Kiong @ Amir Sunarko ⁽²⁾	128,953,331	5.43	33,846,346	1.43	162,799,677	6.86
Aris Sunarko @ Ko Tji Kim ⁽³⁾	34,698,231	1.46	190,100,346	8.00	224,798,577	9.46

Notes:

- (1) Mr Koh Tji Beng @ Ambran Sunarko's direct interest of 148,473,230 Shares is held jointly with his daughter, Ms Cindy Sunarko.
- (2) Mr Koh Tji Kiong @ Amir Sunarko is deemed interested in the 33,846,346 Shares held by Hasan Holdings Pte Ltd, by virtue of Section 7 of the Companies Act.
- (3) Mr Aris Sunarko @ Ko Tji Kim is deemed interested by virtue of Section 7 of the Companies Act in the following Shares:
 - (a) 5,657,000 Shares held by Noah Shipping Pte Ltd;
 - (b) 33,846,346 Shares held by Hasan Holdings Pte Ltd; and
 - (c) 150,597,000 Shares held by First Fortuna Holdings Pte Ltd.

9.2. Save as disclosed in this Circular, none of the Directors or, to the best of the knowledge of the Company, the substantial Shareholders, has any other interest, direct or indirect, in the Proposals other than through their respective shareholdings in the Company.

10. OPINION OF THE IFA

10.1. SAC Capital Private Limited, in accordance with Chapter 9 of the Listing Manual, has been appointed as the independent financial adviser to the Non-Interested Directors in respect of the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal.

10.2. Taking into consideration the factors set out in the IFA Letter, subject to the qualifications and assumptions set out in the IFA Letter and information available to the IFA as at the date of this Circular, the IFA is of the opinion that:

- (a) having considered, *inter alia*, the rationale for and benefit of the General Mandate for the Acquisition of Face-Back Veneers from PTBI, the guidelines and review procedures of the Company for the Mandated Transactions and the role of the Audit Committee of the Company in enforcing the General Mandate for the Acquisition of Face-Back Veneers from PTBI, and subject to the qualifications and assumptions set out in the IFA Letter, the guidelines and review procedures for determining transaction prices of the Mandated Transactions as set out in Section 6.5 of the Circular, if adhered to, are sufficient to ensure that Mandated Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

LETTER TO SHAREHOLDERS

- (b) on balance, the Overdraft Facility Renewal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. Accordingly, the IFA has advised the Non-Interested Directors in respect of the Overdraft Facility Renewal to recommend the Shareholders to vote in favour of the Overdraft Facility Renewal; and

10.3. A copy of the IFA Letter dated 12 April 2018 in relation to the above is set out and appended as Appendix B. Shareholders are advised to read the IFA Letter in its entirety.

11. AUDIT COMMITTEE STATEMENT

11.1. The General Mandate for the Acquisition of Face-Back Veneers from PTBI

The Audit Committee has considered, *inter alia*, the terms, rationale for and benefit of the General Mandate for the Acquisition of Face-Back Veneers from PTBI, the guidelines and review procedures of the General Mandate for the Acquisition of Face-Back Veneers from PTBI for the Mandated Transactions as well as the IFA Letter, and is of the view that the General Mandate for the Acquisition of Face-Back Veneers from PTBI is on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders, and that the guidelines and review procedures for determining transaction prices of the Mandated Transactions as set out in Section 6.5, if adhered to, are sufficient to ensure that the Mandated Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

11.2. The renewal of the 2017 IPT General Mandates

The Audit Committee has considered, *inter alia*, the terms, rationale for and benefit of the 2017 IPT General Mandates. Pursuant to Rule 920(1)(c) of the Listing Manual, the Audit Committee confirms that:

- (a) the methods or procedures for determining the transaction prices (as elaborated on in Appendix C) under the 2017 IPT General Mandates have not changed since the 2017 EGM; and
- (b) the methods or procedures referred to in Section 11.2(a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

11.3. The Overdraft Facility Renewal

The Audit Committee has considered, *inter alia*, the terms, rationale for benefit of the Overdraft Facility Renewal as well as the IFA Letter, and is of the view that the Overdraft Facility Renewal is on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

12. ABSTENTION FROM VOTING

Rule 919 of the Listing Manual states that in a meeting to obtain Shareholder approval, the interested person and any associate of the interested person must not vote on the resolution in respect of the interested person transaction, nor accept appointments as proxies unless specific instructions as to voting are given.

12.1. The Plan

Pursuant to Rule 859 of the Listing Manual, all Shareholders who are eligible to participate in the Plan must abstain, and the Company shall ensure that such persons abstain, from voting on any Shareholders' resolutions relating to the Plan, including, but not limited to, the implementation of the Plan. Such Shareholders will also not accept appointments as proxies unless specific instructions are given in the relevant proxy form on the manner in which the votes should be cast for the ordinary resolution in respect of the Plan.

Accordingly, Mr Riko Setyabudhy Handoko, the Executive Director and Chief Executive Officer of the Company, will abstain from voting at the EGM on the ordinary resolution in respect of the Plan. He will also not accept appointments as proxy unless specific instructions have been given in the relevant proxy form on the manner in which the votes should be cast for the ordinary resolution in respect of the Plan.

LETTER TO SHAREHOLDERS

12.2. The General Mandate for the Acquisition of Face-Back Veneers from PTBI

In light of the reasons set out in Section 6.1, Mr Koh Tji Beng @ Ambran Sunarko will abstain from voting and has undertaken to procure that all of his Associates abstain from voting at the EGM on the ordinary resolution in respect of the General Mandate for the Acquisition of Face-Back Veneers from PTBI. He will also not accept appointments as proxy unless the minority Shareholder(s) appointing him as proxy give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the ordinary resolution in respect of the General Mandate for Acquisition of Face-Back Veneers from PTBI.

12.3. The renewal of the 2017 IPT General Mandates

In light of the reasons set out in Section 7 and Appendix C, Mr Koh Tji Beng @ Ambran Sunarko will abstain from voting and has undertaken to procure that all of his Associates abstain from voting at the EGM on the ordinary resolution in respect of the General Mandate for Charter and Freight Services and the General Mandate for the Acquisition of Face-Back Veneers from WTUPI. He will also not accept appointments as proxy unless the minority Shareholder(s) appointing him as proxy give specific instructions in the relevant proxy form(s) on the manner in which they wish their votes to be cast for the ordinary resolutions in respect of the General Mandate for Charter and Freight Services and the General Mandate for the Acquisition of Face-Back Veneers from WTUPI.

In light of the reasons set out in Section 7 and Appendix C, Mr Michael Joseph Sampoerna will abstain from voting and has undertaken to procure that all of his Associates abstain from voting at the EGM on the ordinary resolution in respect of the General Mandate for the Acquisition of Palm Logs. He will also not accept appointments as proxies unless the minority Shareholder(s) appointing him as proxy give specific instructions in the relevant proxy form(s) on the manner in which they wish their votes to be cast for the ordinary resolution in respect of the General Mandate for the Acquisition of Palm Logs.

12.4. The Overdraft Facility Renewal

In light of the reasons set out in Section 8, Mr Michael Joseph Sampoerna will abstain from voting and has undertaken to procure that all of his Associates abstain from voting at the EGM on the ordinary resolution in respect of the Overdraft Facility Renewal and will not accept appointments as proxies unless the minority Shareholder(s) appointing him as proxy give specific instructions in the relevant proxy form(s) on the manner in which they wish their votes to be cast for the ordinary resolution in respect of the Overdraft Facility Renewal.

Notwithstanding that Bank Sampoerna is an interested person by virtue of Mr Michael Joseph Sampoerna's shareholding in PT Sampoerna Investama and not Mr Eka Dharmajanto Kasih's shareholding in Bank Sampoerna and PT Sampoerna Investama, Mr Eka Dharmajanto Kasih will nevertheless voluntarily abstain from voting (in the event that Mr Eka Dharmajanto Kasih becomes a Shareholder) and has undertaken to procure that all of his Associates abstain from voting at the EGM on the ordinary resolution in respect of the Overdraft Facility Renewal and will not accept appointments as proxies unless the minority Shareholder(s) appointing him as proxy give specific instructions in the relevant proxy form(s) on the manner in which they wish their votes to be cast for the ordinary resolution in respect of the Overdraft Facility Renewal. There are no family relationships between Mr Michael Joseph Sampoerna and Mr Eka Dharmajanto Kasih.

13. DIRECTORS' RECOMMENDATIONS

13.1. The Plan

Mr Riko Setyabudhy Handoko, the Executive Director and Chief Executive Officer of the Company, is eligible to participate in and is therefore interested in the Plan. Accordingly, Mr Riko Setyabudhy Handoko shall abstain from making any recommendations as to how Shareholders should vote in respect of the Plan to be tabled at the EGM. He will also not accept appointments as proxy for voting in respect of the ordinary resolution for the Plan set out in the Notice of EGM unless specific instructions as to voting are given.

LETTER TO SHAREHOLDERS

Having considered the rationale for and benefit of the Plan, the Non-Interested Directors are of the opinion that the Plan is in the interests of the Company and the Shareholders. Accordingly, the Non-Interested Directors recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

13.2. The General Mandate for the Acquisition of Face-Back Veneers from PTBI

Mr Koh Tji Beng @ Ambran Sunarko shall abstain from making any recommendations on the General Mandate for the Acquisition of Face-Back Veneers from PTBI to be tabled at the EGM. He will also not accept appointments as proxy for voting in respect of the ordinary resolution for the General Mandate for the Acquisition of Face-Back Veneers from PTBI set out in the Notice of EGM unless specific instructions as to voting are given.

Having considered the rationale for and benefit of the General Mandate for the Acquisition of Face-Back Veneers from PTBI, the Non-Interested Directors are of the opinion that the General Mandate for the Acquisition of Face-Back Veneers from PTBI is in the interests of the Company and the Shareholders. Accordingly, the Non-Interested Directors recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

13.3. The renewal of the 2017 IPT General Mandates

Mr Koh Tji Beng @ Ambran Sunarko shall abstain from making any recommendations on the renewal of the General Mandate for the Charter and Freight Services and the General Mandate for the Acquisition of Face-Back Veneers from WTUPI to be tabled at the EGM. He will also not accept appointments as proxy for voting in respect of the ordinary resolutions for the renewal of the General Mandate for the Charter and Freight Services and the General Mandate for the Acquisition of Face-Back Veneers from WTUPI set out in the Notice of EGM unless specific instructions as to voting are given.

Mr Michael Joseph Sampoerna shall abstain from making any recommendations on the renewal of the General Mandate for the Acquisition of Palm Logs to be tabled at the EGM. He will also not accept appointments as proxies for voting in respect of the ordinary resolution for the renewal of the General Mandate for the Acquisition of Palm Logs set out in the Notice of EGM unless specific instructions as to voting are given.

Having considered the rationale for and benefit of the 2017 IPT General Mandates, the Non-Interested Directors are of the opinion that the renewal of the 2017 IPT General Mandates is in the interests of the Company and the Shareholders. Accordingly, the Non-Interested Directors recommend that Shareholders vote in favour of the ordinary resolutions relating thereto to be proposed at the EGM.

13.4. The Overdraft Facility Renewal

Mr Michael Joseph Sampoerna shall abstain from making any recommendations on the approval of the Overdraft Facility Renewal to be tabled at the EGM. Notwithstanding that Bank Sampoerna is not an interested person by virtue of Mr Eka Dharmajanto Kasih's interests in Bank Sampoerna, he will also voluntarily abstain from making any recommendations on the approval of the Overdraft Facility Renewal to be tabled at the EGM. They will also not accept appointments as proxies for voting in respect of the ordinary resolution for the Overdraft Facility Renewal set out in the Notice of EGM unless specific instructions as to voting are given.

Having considered the rationale for and benefit of the Overdraft Facility Renewal, the Non-Interested Directors are of the opinion that the Overdraft Facility Renewal is in the interests of the Company and the Shareholders. Accordingly, the Non-Interested Directors recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

14. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 62 to 64 of this Circular, will be held at Carlton Hotel Singapore, Connaught Room, Level 2, 76 Bras Basah Road, Singapore 189558 on 27 April 2018, Friday at 3.00 pm (or immediately after the conclusion or adjournment of the AGM held on the same date at 2.00 pm) for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolutions set out in the Notice of EGM on pages 62 to 64 of this Circular.

LETTER TO SHAREHOLDERS

15. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote at the EGM on their behalf should complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon. The completed and signed proxy form should be returned as soon as possible and, in any event, should arrive at the Company's registered office at 7500A Beach Road, #08-305/307 The Plaza, Singapore 199591, not later than forty-eight (48) hours before the time fixed for the EGM. Shareholders who have completed and returned the proxy form may still attend and vote in person at the EGM, if they so wish, in place of their proxy.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least seventy-two (72) hours before the EGM.

16. CONSENT

SAC Capital Private Limited, the IFA to the Non-Interested Directors in respect of the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter set out in Appendix B, its name and all references thereto, in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

17. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's registered office at 7500A Beach Road, #08-305/307 The Plaza, Singapore 199591 on any weekday (public holidays excepted) from the date of this Circular up to the date of the EGM:

- (a) the Constitution;
- (b) the annual report of the Company for FY2017;
- (c) the Rules of the Plan set out in Appendix A;
- (d) the IFA Letter set out in Appendix B; and
- (e) the letter of consent referred to in Section 16.

18. 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 Plan, the General Mandate for the Acquisition of Face-Back Veneers from PTBI, the 2017 IPT General Mandates, the Overdraft Facility Renewal, 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 this 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 this Circular in its proper form and context.

Yours faithfully

For and on behalf of the Board of Directors of
SAMKO TIMBER LIMITED

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer

APPENDIX A - RULES OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN

RULES OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN

1. NAME OF THE PLAN

The Plan shall be called the “Samko Timber Performance Share Plan”.

2. DEFINITIONS

In the Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Adoption Date”	The date on which the Plan is adopted by the Company in a general meeting
“Associates”	Has the meaning ascribed to it in the Listing Manual
“Auditors”	The auditors for the time being of the Company
“Award”	A contingent award of Shares granted under Rule 5
“Award Letter”	A letter in such form as the Committee shall approve, confirming an Award granted to a Participant by the Committee
“Board”	The board of directors of the Company
“CDP”	The Central Depository (Pte) Limited
“Chief Executive Officer”	The chief executive officer of the Company from time to time
“Committee”	The administration committee comprising members of the nominating committee and remuneration committee of the Company to administer the Plan
“Companies Act”	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“Company”	Samko Timber Limited, a public company incorporated in Singapore with limited liability
“Constitution”	The constitution of the Company, as amended, modified or supplemented from time to time
“control”	The capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of a company
“Controlling Shareholder”	A person who: (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares and subsidiary holdings in the Company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over the Company
“Date of Grant”	In relation to an Award, the date on which the Award is granted pursuant to Rule 5
“Director”	A person holding office as a director of the Company for the time being
“Executive Director”	A Director for the time being of the Company, holding office in an executive capacity in the Company

APPENDIX A - RULES OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN

“Group”	The Company and its subsidiaries
“Listing Manual”	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“Market Day”	A day on which the SGX-ST is open for trading in securities
“Market Value”	In relation to a Share, on any day: (a) the average price of a Share on the SGX-ST (or such other stock exchange on which the Shares may for the time being be listed or quoted) over the 5 immediately preceding Market Days on which the Shares are transacted on the SGX-ST (or such other stock exchange on which the Shares may for the time being be listed or quoted); or (b) if the Committee is of the opinion that the Market Value as determined in accordance with (a) above is not representative of the value of a Share, such price as the Committee may determine, such determination to be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable
“Non-Executive Director”	A Director (other than an Executive Director) from time to time of the Company
“Participant”	The Chief Executive Officer and/or an Executive Director who has been selected by the Committee to be granted an Award pursuant to the Plan
“Performance Condition”	In relation to a Performance-related Award, the condition specified on the Date of Grant in relation to that Award
“Performance-related Award”	An Award in relation to which a Performance Condition is specified
“Performance Period”	In relation to a Performance-related Award, a period, the duration of which is to be determined by the Committee on the Date of the Grant, during which the Performance Condition is to be satisfied
“Plan”	The Samko Timber Performance Share Plan, as the same may be modified, altered or supplemented from time to time
“Record Date”	The date as at the close of business (or such other time as may have been prescribed by the Company) on which Shareholders must be registered in order to participate in the dividends, rights, allotments or other distributions (as the case may be)
“Release”	In relation to an Award, the release at the end of the Vesting Period relating to that Award of all or some of the Shares to which that Award relates in accordance with Rule 7, and, to the extent that any Shares which are the subject of the Award are not released pursuant to Rule 7, the Award in relation to those Shares shall lapse accordingly, and “Released” shall be construed accordingly
“Released Award”	An award in respect of which the Vesting Period relating to that Award has ended and which has been released in accordance with Rule 7
“Rules”	Rules of the Plan
“Securities Account”	The securities account maintained by a Depositor with CDP
“SGX-ST”	Singapore Exchange Securities Trading Limited

APPENDIX A - RULES OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN

“Shares”	Ordinary shares in the capital of the Company
“Shareholders”	Registered holders of Shares in the register of members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
“Vesting”	In relation to the Shares which are the subject of a Released Award, the absolute entitlement to all or some of the Shares which are the subject of a Released Award and “Vest” and “Vested” shall be construed accordingly
“Vesting Date”	The date on which Vesting occurs
“Vesting Period”	In relation to an Award, a period or periods of time before Vesting occurs, the duration of which is to be determined by the Committee on the Date of Grant
“%”	Per centum or percentage

- 2.2. The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively by Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time.
- 2.3. The terms **“subsidiary holdings”** and **“treasury shares”** shall have the meanings ascribed to them respectively in the Listing Manual.
- 2.4. Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.
- 2.5. Any reference to a time of a day in the Plan is a reference to Singapore time.
- 2.6. Any reference in the Plan to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in the Plan shall have the meaning assigned to it under the Companies Act.

3. OBJECTIVES OF THE PLAN

The Plan is a performance incentive share plan which will form an integral part of the Group's incentive compensation program.

The objectives of the Plan are as follows:

- provide an opportunity for Participants to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of Participants towards the Group;
- motivate Participants to strive towards performance excellence and to maintain a high level of contribution to the Group;
- give recognition to contributions made or to be made by Participants by introducing a variable component into their remuneration package;
- make remuneration sufficiently competitive to recruit new Participants and/or to retain existing Participants whose contributions are important to the long-term growth and profitability of the Group; and
- to foster ownership culture within the Company and align the interests of Participants with the interests of Shareholders.

APPENDIX A - RULES OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN

4. ELIGIBILITY OF PARTICIPANTS

- 4.1. The Chief Executive Officer and/or an Executive Director's eligibility to participate in the Plan shall be at the absolute discretion of the Committee. Such person must, at the Date of Grant:
- (a) be confirmed in his/her employment with the Company;
 - (b) have attained the age of 21 years; and
 - (c) not be an undischarged bankrupt and must not have entered into a composition with his creditors.
- 4.2. For the avoidance of doubt, Non-Executive Directors (including independent Directors), and Controlling Shareholders and their Associates, are not eligible to participate in the Plan.
- 4.3. The eligibility of Participants to participate in the Plan, and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan, the Performance Condition and the Vesting Period shall be determined at the absolute discretion of the Committee, which shall take into account, where applicable:
- (a) the financial performance of the Group; and
 - (b) criteria such as the Participant's length of service, job performance, potential for future development, and his contribution to the success and development of the Group.

In addition, for Performance-related Awards, the extent of effort required to achieve the Performance Condition within the Performance Period shall also be considered.

- 4.4. For the purposes of determining eligibility to participate in the Plan, the secondment of such Chief Executive Officer and/or Executive Director to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time confirmed employee of the Company.
- 4.5. There will be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by any other companies within the Group.
- 4.6. Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Plan may be amended from time to time at the absolute discretion of the Committee, which would be exercised judiciously.

5. GRANT OF AWARDS

- 5.1. Subject as provided in Rule 8, the Committee may grant Awards to Participants as the Committee may select in its absolute discretion, at any time during the period when the Plan is in force.
- 5.2. The Committee shall decide, in its absolute discretion, in relation to each Award:
- (a) the Participant;
 - (b) the Date of Grant;
 - (c) the number of Shares which are the subject of the Award;
 - (d) the prescribed Vesting Period(s);
 - (e) the extent to which Shares which are the subject of that Award shall be Released at the end of each prescribed Vesting Period; and
 - (f) in the case of a Performance-related Award, the Performance Period and the Performance Condition.

APPENDIX A - RULES OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN

- 5.3. The Committee may amend or waive the Vesting Period(s) and, in the case of a Performance-related Award, the Performance Period and/or the Performance Condition in respect of any Award:
- (a) in the event of a general offer (whether conditional or unconditional) being made for all or any part of the Shares, or a scheme of arrangement or compromise between the Company and its Shareholders being sanctioned by the court under the Companies Act, or a proposal to liquidate or sell all or substantially all of the assets of the Company; or
 - (b) in the case of a Performance-related Award, if anything happens which causes the Committee to conclude that:
 - (i) a changed Performance Condition would be a fairer measure of performance, and would be no less difficult to satisfy; or
 - (ii) the Performance Condition should be waived as the Participant has achieved a level of performance that the Committee considers satisfactory notwithstanding that the Performance Condition may not have been fulfilled, and shall notify the Participants of such change or waiver (but accidental omission to give notice to any Participant(s) shall not invalidate any such change or waiver).
- 5.4. As soon as reasonably practicable after making an Award, the Committee shall send to each Participant an Award Letter confirming the Award and specifying in relation to the Award:
- (a) the Date of Grant;
 - (b) the number of Shares which are the subject of the Award;
 - (c) the prescribed Vesting Period(s);
 - (d) the extent to which Shares which are the subject of that Award shall be Released at the end of each prescribed Vesting Period; and
 - (e) in the case of a Performance-related Award, the Performance Period and the Performance Condition.
- 5.5. Participants are not required to pay for the grant of Awards.
- 5.6. An Award or Released Award shall be personal to the Participant to whom it is granted and no Award or Released Award or any rights thereunder shall be transferred, charged, assigned, pledged, mortgaged, encumbered or otherwise disposed of, in whole or in part, and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an Award or Released Award, that Award or Released Award shall immediately lapse.

6. EVENTS PRIOR TO THE VESTING DATE

- 6.1. An Award, to the extent not yet Released, shall forthwith become void and cease to have effect on the occurrence of any of the following events (and in such an event, the Participant shall have no claim whatsoever against the Company, its Directors or employees):
- (a) a Participant, ceasing for any reason whatsoever, to be a confirmed employee of the Company;
 - (b) a Participant ceasing to be an Executive Director and/or Chief Executive Officer, as the case may be, for any reason whatsoever;
 - (c) upon the bankruptcy of the Participant or the happening of any other event which results in him being deprived of the legal or beneficial ownership of or interest in such Award;
 - (d) ill health, injury, disability or death of a Participant;
 - (e) a Participant committing any breach of any of the terms of his Award;

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- (f) misconduct on the part of a Participant as determined by the Company in its discretion;
- (g) a take-over, winding-up or reconstruction of the Company; and/or
- (h) any other event approved by the Committee.

For the purpose of Rule 6.1(a) above, a Participant shall be deemed to have ceased to be a confirmed employee of the Company on the date on which he gives notice of termination of employment (notwithstanding that such Participant may still be an employee of the Company during his notice period, if any), unless prior to the date on which termination takes effect, the Participant has (with the consent of the Company) withdrawn such notice.

For the purpose of Rule 6.1(b), a Participant shall be deemed to have ceased to be Chief Executive Officer and/or Executive Director as at the date the notice of resignation of or termination of appointment, as the case may be, is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

- 6.2. The Committee may in its absolute discretion and on such terms and conditions as it deems fit, preserve all or any part of any Award notwithstanding the provisions of any other Rules including Rules 6.1 and 7.1. Further to such exercise of discretion, the Awards shall be deemed not to have become void nor cease to have effect in accordance with the relevant provisions in Rule 6.1.
- 6.3. Without prejudice to the provisions of Rules 5.3 and 7.1, to the extent of an Award yet to be Released, if any of the following occurs:
 - (a) a general offer (whether conditional or unconditional) being made for all or any part of the Shares;
 - (b) a scheme of an arrangement or compromise between the Company and its Shareholders being sanctioned by the court under the Companies Act;
 - (c) an order for the compulsory winding-up of the Company being made; or
 - (d) a resolution for a voluntary winding-up (other than for amalgamation or reconstruction) of the Company being made,

the Committee may consider, at its discretion, whether or not to Release such Award. If the Committee decides to Release such Award, then in determining the number of Shares to be Vested in respect of such Award, the Committee will have regard to the proportion of the Vesting Period(s) which has elapsed and the extent to which the Performance Condition (if any) has been satisfied. Where such Award is Released, the Committee will, as soon as practicable after such Release, procure the allotment or transfer to each Participant of the number of Shares so determined, such allotment or transfer to be made in accordance with Rule 7. If the Committee so determines, the Release may be satisfied in cash as provided in Rule 7.4.

7. RELEASE OF AWARDS

- 7.1. (a) In relation to each Performance-related Award, as soon as reasonably practicable after the end of the relevant Performance Period, the Committee shall review the Performance Condition specified in respect of that Award and determine whether it has been satisfied and, if so, the extent to which it has been satisfied. If the Committee determines in its sole discretion that the Performance Condition has not been satisfied or if the relevant Participant has not continued to be the Chief Executive Officer and/or Executive Director from the Date of Grant up to the end of the relevant Vesting Period, that Award shall lapse and be of no value and the provisions of Rule 7 (save for this Rule 7.1(a)) shall be of no effect.

The Committee shall have the discretion to determine whether the Performance Condition has been satisfied (whether fully or partially) or exceeded and, in making any such determination, the Committee shall have the right to make computational adjustments to the audited results of the Company or the Group, as the case may be, to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events.

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Subject to:

- (i) (in relation to a Performance-related Award) the Committee having determined that the Performance Condition has been satisfied;
- (ii) the relevant Participant having continued to be the Chief Executive Officer and/or Executive Director from the Date of Grant up to the end of the relevant Vesting Period;
- (iii) the Committee being of the opinion that the job performance of the relevant Participant has been satisfactory;
- (iv) such consents (including any approvals required by the SGX-ST) as may be necessary being obtained;
- (v) compliance with the terms of the Award, the Plan, and the Constitution;
- (vi) where Shares are to be allotted or transferred on the Release of an Award, the Participant having a Securities Account and complying with the applicable requirements of CDP; and
- (vii) where Shares are to be allotted on the Release of an Award, the Company being satisfied that the Shares which are the subject of the Released Award will be listed for quotation on the SGX-ST,

upon the expiry of each Vesting Period in relation to an Award, the Company shall Release to the relevant Participant the Shares to which his Award relates on the Vesting Date.

- (b) Shares which are the subject of a Released Award shall be Vested to a Participant on the Vesting Date, which shall be a Market Day falling as soon as practicable after the Release of such Award in accordance with Rule 7.1(a) and, on the Vesting Date, the Committee will procure the allotment or transfer of such Shares to each Participant. The Committee shall determine, in its sole and absolute discretion, whether to deliver such Shares by way of an issue of new Shares or the purchase of existing Shares or a combination of both methods.
- (c) Where Shares are allotted upon the Vesting of any Award, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST for the listing and quotation of such Shares.

7.2. Shares which are allotted or transferred on the Release of an Award to a Participant shall be registered in the name of, or transferred to, CDP to the credit of the Securities Account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent.

7.3. Shares allotted and issued, and existing Shares procured by the Company on behalf of the Participants for transfer, upon the Release of an Award shall:

- (a) be subject to all the provisions of the Constitution; and
- (b) rank for any dividend, right, allotment or other distribution on the Record Date which is on or after the relevant Vesting Date and (subject as aforesaid) will rank *pari passu* in all respects with the Shares then existing.

7.4. The Committee may determine to make a Release, wholly or partly, in the form of cash rather than Shares which would otherwise have been allotted and issued to the Participant upon the Release of an Award on the relevant Vesting Date, in which event the Company shall pay to the Participant as soon as practicable after such Vesting Date, in lieu of all or part of such Shares, the aggregate Market Value of such Shares on such Vesting Date.

8. LIMITATION ON THE SIZE OF THE PLAN

The aggregate number of Shares which may be issued and/or transferred pursuant to Awards granted under the Plan on any date, when added to the number of Shares issued and issuable and/or transferred and transferrable in respect of (a) all Awards granted under the Plan, and (b) all Shares available under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed 3.0% of the number of all issued Shares (excluding treasury shares, as defined in the Companies Act) on the day preceding that date.

APPENDIX A - RULES OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN

9. ADJUSTMENT EVENTS

- 9.1. If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves, rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:
- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet Vested and the rights attached thereto; and/or
 - (b) the class and/or number of Shares in respect of which Awards may be granted under the Plan,
- may, at the option of the Committee, be adjusted in such manner as the Committee may determine to be appropriate, provided that any such adjustment shall be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive.
- 9.2. Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.
- 9.3. Notwithstanding the provisions of Rule 9.1, any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.
- 9.4. Upon any adjustment being made pursuant to this Rule 9, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued or transferred on the Vesting of an Award and the date on which such adjustment shall take effect.
- 9.5. Notwithstanding the provisions of Rule 9.1 or that no adjustment is required under the provisions of the Plan, the Committee may, in any circumstances where it considers that no adjustment should be made or that an adjustment should take effect on a different date or that an adjustment should be made to any of the matters referred to in Rule 9.1 notwithstanding that no adjustment is required under the said provisions (as the case may be), subject to any requirements of the SGX-ST, request the Auditors to consider whether for any reasons whatsoever the adjustment or the absence of an adjustment is appropriate or inappropriate, as the case may be, and, after such consideration, no adjustment shall take place or the adjustment shall be modified or nullified or an adjustment made (instead of no adjustment made) in such manner and on such date as shall be considered by such Auditors (acting only as experts and not as arbitrators) to be in their opinion appropriate.

10. ADMINISTRATION OF THE PLAN

- 10.1. The Plan shall be administered by the Committee in its absolute discretion, with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him or held by him.
- 10.2. The Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan, to give effect to the provisions of the Plan and/or to enhance the benefit of the Awards and the Released Awards to the Participants, as it may, in its absolute discretion, think fit.
- 10.3. The Company shall bear the costs of establishing and administering the Plan.

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11. NOTICES

- 11.1. A Participant shall not by virtue of being granted any Award be entitled to receive copies of any notices or other documents sent by the Company to Shareholders.
- 11.2. Any notice or other communication between the Company and a Participant may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its registered office and, in the case of the Participant, his address as notified by him to the Company from time to time.
- 11.3. Any notice or other communication sent by post:
- (a) by the Company shall be deemed to have been received 24 hours after the same was put in the post properly addressed and stamped; and
 - (b) by the Participant shall be deemed to have been received when the same is received by the Company at the registered office of the Company.

12. MODIFICATIONS TO THE PLAN

- 12.1. Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by resolution of the Board, except that:
- (a) no modification or alteration shall be made which would adversely affect the rights attached to any Award granted prior to such modification or alteration except with the prior consent in writing of such number of Participants who, if their Awards were Released to them upon the expiry of all the Vesting Periods applicable to their Awards, would be entitled to not less than 75.0% of the aggregate number of the Shares which would fall to be Vested upon the Release of all outstanding Awards upon the expiry of all the Vesting Periods applicable to all such outstanding Awards;
 - (b) no modification or alteration shall be made to the advantage of Participants except with the prior approval of the Shareholders of the Company in general meeting; and
 - (c) no modification or alteration shall be made without the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.
- 12.2. Notwithstanding anything to the contrary contained in Rule 12.1, the Board may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Plan in any way to the extent necessary to cause the Plan to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 12.3. Written notice of any modification or alteration made in accordance with this Rule 12 shall be given to all Participants but accidental omission to give notice to any Participant(s) shall not invalidate any such modifications or alterations.

13. TERMS OF EMPLOYMENT UNAFFECTED

Notwithstanding the provisions of any other Rule:

- (a) the Plan or any Award shall not form part of any contract of employment between the Company and any Chief Executive Officer and/or Executive Director, and the rights and obligations of such Chief Executive Officer and/or Executive Director under the terms of the office or employment with the Company shall not be affected by his participation in the Plan or any right which he may have to participate in it or any Award which he may be granted and the Plan or any Award shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever (whether lawful or not); and
- (b) the Plan shall not confer on any person any legal or equitable rights (other than those constituting the Awards) against the Company and/or any subsidiary of the Company directly or indirectly or give rise to any cause of action at law or in equity against any such company, its directors or its employees.

APPENDIX A - RULES OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN

14. DURATION OF THE PLAN

- 14.1. The Plan shall continue to be in operation at the discretion of the Committee for a maximum period of 10 years commencing on the Adoption Date, provided always that the Plan may, subject to applicable laws and regulations, continue beyond the above stipulated period with the approval of the Shareholders of the Company by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 14.2. The Plan may be terminated at any time by the Committee and by resolution of the Company in general meeting, subject to all relevant approvals which may be required and if the Plan is so terminated, no further Awards shall be granted by the Company hereunder.
- 14.3. The termination of the Plan shall not affect Awards which have been granted, whether such Awards have been Released (whether fully or partially) or not.

15. ANNUAL REPORT DISCLOSURE

The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Plan continues in operation:

- (a) the names of the members of the Committee;
- (b) information as required in Rule 15(c) below in respect of each of the following Participants:
 - (i) Directors;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Participants, other than those in (b)(i) and (b)(ii) above, who receive Awards comprising Shares representing 5.0% or more of the aggregate of the total number of Shares available under the Plan;
- (c) in relation to the each of the abovementioned Participants, the following particulars:
 - (i) the aggregate number of Shares comprised in Awards granted during the financial year under review, including the terms thereof;
 - (ii) the aggregate number of Shares comprised in Awards granted since the commencement of the Plan to the end of the financial year under review;
 - (iii) the aggregate number of Shares comprised in Awards which have Vested since the commencement of the Plan to the end of the financial year under review; and
 - (iv) the aggregate number of Shares comprised in Awards which have not been Released as at the end of the financial year under review; and
- (d) an appropriate negative statement if any of the disclosures above in the foregoing of this Rule 15 is not applicable.

16. ABSTENTION FROM VOTING

Participants who are Shareholders are to abstain from voting on any Shareholders' resolution relating to the Plan, including the participation in the Plan and grant of Awards to the Participants. Participants may act as proxies of Shareholders of the Company in respect of the votes of such Shareholders in relation to any such resolution provided that specific instructions have been given in the proxy forms on how the votes are to be cast in respect of the resolution.

APPENDIX A - RULES OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN

17. TAXES, COSTS AND EXPENSES OF THE PLAN

- 17.1. Notwithstanding anything herein, each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Release of any Award in CDP's name, the deposit of share certificate(s) with CDP, the Participant's Securities Account, or the Participant's securities sub-account maintained with a CDP Depository Agent.
- 17.2. The Participant shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or Vesting of the relevant Award. All taxes (including income tax) arising from the grant or Vesting of any Award under the Plan shall be borne by that Participant. The Company shall not be responsible for any failure by the Participant to obtain any such consent or for any tax or other liability to which the Participant may become subject as a result of his participation in the Plan.

18. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Company, its Directors or employees, and the Committee shall not under any circumstances be held liable for any costs, losses, expenses liabilities or damages whatsoever and howsoever arising in respect of any matter under or in connection with the Plan, including but not limited to any delay or failure to issue, or procure the transfer of, the Shares or to apply for or procure the listing of new Shares on the SGX-ST in accordance with Rule 7.1(c) (and any other stock exchange on which the Shares are quoted or listed).

19. DISPUTES

Any disputes or differences of any nature arising hereunder (other than matters to be confirmed by the Auditors in accordance with the Plan) shall be referred to the Committee and its decision shall be final and binding in all respects (including any decisions pertaining to disputes as to interpretation of the Plan or any Rule or procedure thereunder or as to any rights under the Plan).

20. GOVERNING LAW

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by being granted Awards in accordance with the Plan, and the Company, submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

APPENDIX B - LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-INTERESTED DIRECTORS IN RELATION TO THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PTBI AND THE OVERDRAFT FACILITY RENEWAL

SAC CAPITAL PRIVATE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No: 200401542N)

1 Robinson Road
#21-02 AIA Tower
Singapore 048542

12 April 2018

The Non-Interested Directors of Samko Timber
Limited in relation to the General Mandate for
the Acquisition of Face-Back Veneers from PTBI

The Non-Interested Directors of Samko Timber
Limited in relation to the Overdraft Facility
Renewal

Mr Eka Dharmajanto Kasih
Mr Riko Setyabudhy Handoko
Mr Michael Joseph Sampoerna
Mr Ng Cher Yan
Mr Sim Idrus Munandar
Mr Wee Ewe Lay Laurence John

Mr Eka Dharmajanto Kasih
Mr Riko Setyabudhy Handoko
Mr Koh Tji Beng @ Ambran Sunarko
Mr Ng Cher Yan
Mr Sim Idrus Munandar
Mr Wee Ewe Lay Laurence John

Dear Sirs

- (A) **THE ADOPTION OF THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PT BASIRIH INDUSTRIAL ("PTBI"); AND**
- (B) **THE OVERDRAFT FACILITY RENEWAL AS AN INTERESTED PERSON TRANSACTION**

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 12 April 2018 (the "**Circular**") shall have the same meanings herein.*

1. INTRODUCTION

We understand that Samko Timber Limited (the "**Company**") wishes to seek the approval of the shareholders of the Company ("**Shareholders**") for the proposed adoption of the general mandate for the acquisition of face-back veneers from PT Basirih Industrial ("**PTBI**"), an associate of Mr Koh Tji Beng @ Ambran Sunarko ("**Ambran Sunarko**", who is a Director of the Company), for the manufacturing of quality plywood for export (the "**Mandated Transactions**") (the "**General Mandate for the Acquisition of Face-Back Veneers from PTBI**").

In addition, the Company also wishes to seek the approval of Shareholders for the proposed renewal of the overdraft facility (the "**Overdraft Facility**") from PT Bank Sahabat Sampoerna ("**Bank Sampoerna**"), an associate of Mr Michael Joseph Sampoerna ("**Michael Sampoerna**", who is a Director of the Company) for working capital purposes, which constitutes an interested person transaction (the "**Overdraft Facility Renewal**").

Mr Koh Tji Kiong @ Amir Sunarko ("**Amir Sunarko**"), who is the brother of Ambran Sunarko, and his Immediate Family (as defined in the Circular) collectively hold, indirectly through PT SAS Global Jaya, more than 30% of the shares in PTBI. As Ambran Sunarko is a Director of the Company, accordingly, under Chapter 9 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), PTBI is an "interested person" of the Company and transactions between the Group and PTBI constitute interested person transactions.

Mr Michael Sampoerna is a Director of the Company and holds, indirectly through PT Sampoerna Investama, more than 30% of the shares in Bank Sampoerna. Accordingly, under Chapter 9 of the Listing Manual, Bank Sampoerna is an "interested person" of the Company and transactions between the Group and Bank Sampoerna constitute interested person transactions.

APPENDIX B - LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-INTERESTED DIRECTORS IN RELATION TO THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PTBI AND THE OVERDRAFT FACILITY RENEWAL

Under Chapter 9 of the Listing Manual, shareholders' approval and/or an immediate announcement is required in respect of the transaction between a listed company and an "interested person" if the value of the transaction is equal to or exceeds certain financial thresholds. In particular, shareholders' approval is required where the value of such transaction(s) is equal to, or more than 5% of the latest audited consolidated net tangible assets ("**NTA**") of the listed company. Based on the audited accounts of the Group for the financial year ended 31 December 2017, the audited NTA of the Group was approximately IDR 81.8 billion. For the purposes of the Listing Manual, 5% of the latest audited NTA of the Group as at 31 December 2017 would be approximately IDR 4.1 billion.

Assuming that the renewed Overdraft Facility is fully utilised, the interest and other charges to be paid pursuant to the Overdraft Facility Renewal would amount to approximately IDR 8.7 billion, which represents approximately 10.6% of the latest audited consolidated NTA of the Group as at 31 December 2017 (being the latest audited consolidated NTA of the Group as at the date of the Circular). As such, in accordance with Rule 906(1)(a) of the Listing Manual, Shareholders' approval is required for the Overdraft Facility Renewal.

In connection with the above, the Company has appointed us as the independent financial adviser (the "**IFA**") to advise the directors of the Company (the "**Directors**") who are non-interested for the purposes of the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal, as the case may be (collectively, the "**Non-Interested Directors**") to provide an opinion on whether (a) the guidelines and review procedures for determining the transaction prices of the Mandated Transactions, if adhered to, are sufficient to ensure that the Mandated Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, and (b) the Overdraft Facility Renewal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

This letter, which sets out our evaluation and opinion, has been prepared to comply with rules 920(1)(b)(v) and 921(4)(a) of the Listing Manual as well as addressed to the Non-Interested Directors (as the case may be) in connection with and for the purposes of their consideration of the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal (as the case may be), and their recommendation(s) to the minority Shareholders arising thereof.

2. TERMS OF REFERENCE

We have been appointed as the IFA to the Non-Interested Directors in respect of the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal (as the case may be).

We are not and were not involved in any aspect of the negotiations entered into by the Company or in the deliberations leading up to the decision of the Directors to undertake the Mandated Transactions as contemplated under the General Mandate for the Acquisition of Face-Back Veneers from PTBI or the Overdraft Facility Renewal, as the case may be. Accordingly, we do not, by this letter, warrant the merits of the General Mandate for the Acquisition of Face-Back Veneers from PTBI or the Overdraft Facility Renewal other than to express an opinion on whether (a) the guidelines and review procedures for determining the transaction prices of the Mandated Transactions, if adhered to, are sufficient to ensure that the Mandated Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, and (b) the Overdraft Facility Renewal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

For the purposes of arriving at our opinion in respect of the General Mandate for the Acquisition of Face-Back Veneers from PTBI, we have considered the guidelines and review procedures of the Company for determining transaction prices for the Mandated Transactions. For the purposes of arriving at our opinion in respect of the Overdraft Facility Renewal, we have confined our analysis to the financial terms of the Overdraft Facility Renewal.

We have not evaluated, and have not been requested to comment on, the strategic, legal, commercial or financial merits and/or risks of the General Mandate for the Acquisition of Face-Back Veneers from PTBI and/or the Overdraft Facility Renewal, or the prospects or earnings potential of the Company or the Group after the adoption of the General Mandate for the Acquisition of Face-Back Veneers from PTBI or pursuant to the Overdraft Facility Renewal. Such evaluation or comment, if any, is and remains the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion.

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In the course of our evaluation, we have held discussions with the Directors and the management of the Company (the “**Management**”) and their professional advisers and have relied on the information and representations, whether written or verbal, collated by us as well as information provided to us by the Directors, the Management and their professional advisers contained in the Circular. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified such information or representations and accordingly cannot and do not warrant or accept responsibility for the accuracy, completeness or adequacy of these information or representations. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information or facts. We have, however, made reasonable enquiries and exercised our judgment (as we deemed necessary) in assessing the information and representations provided to us, and have found no reason to doubt the accuracy and reliability of such information or representations which we have relied on.

The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, (a) all material information available to them in connection with the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal have been disclosed to us and in the Circular, (b) such information is true and accurate in all material respects, and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

Save as disclosed, we would like to highlight that all information relating to the Company and its subsidiaries (collectively, the “**Group**”) that we have relied upon in arriving at our opinion has been obtained from the Circular, publicly available information and/or from the Directors and the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company and/or the Group at any time or as at 6 April 2018 (the “**Latest Practicable Date**”).

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Group, or to express, and we do not express, any view on the future growth prospects, financial position and earnings potential of the Company or the Group. We have not been provided with, nor do we have access to, any business plans or financial projections of the future performance of the Company or the Group and we did not conduct any discussions with the Directors and the Management on any such business plans or financial projections of the Company or the Group.

We have not made an independent evaluation or appraisal of the assets (including property, plant and equipment) and liabilities of the Company and the Group and we have not been furnished with any such evaluation or appraisal.

Our opinion, as set out in this letter, is based on the market, economic, industry, monetary and other applicable conditions prevailing on, and the information made available to us, as at the Latest Practicable Date. Such condition may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. In arriving at our opinion, with the consent of the Directors and/or the Company, we have taken into account certain other factors and have made certain assumptions as set out in this letter.

In rendering our opinion, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual Shareholder or specific group of Shareholders. We recommend that any individual Shareholder or specific group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional advisers. Shareholders should further take note of any announcements which may be released by the Company after the Latest Practicable Date which are relevant to the General Mandate for the Acquisition of Face-Back Veneers from PTBI, the Overdraft Facility Renewal and other related corporate actions.

Our opinion in relation to the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal should be considered in the context of the entirety of this letter and the Circular.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this letter). We have had no role or involvement and have not provided any advice, financial or otherwise, in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this letter).

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3. INFORMATION ON THE INTERESTED PERSONS

3.1 Information on PTBI

PTBI is a company based in Indonesia and is engaged in the business of, *inter alia*, processing forest products, especially wood and rattan and conducting trading in general.

As set out in section 6.1 of the Circular, Amir Sunarko, who is the brother of Ambran Sunarko, and his Immediate Family (as defined in the Circular) collectively hold, indirectly through PT SAS Global Jaya, more than 30% of the shares in PTBI. As Ambran Sunarko is a Director of the Company, Amir Sunarko and PTBI are considered to be associates of Ambran Sunarko, and are therefore interested persons.

The aggregate value of all transactions entered into between the Group and PTBI for FY2017 was approximately IDR 2,496 million which is approximately 4.0% of the audited consolidated NTA of the Group for FY2016 (being the latest audited consolidated NTA of the Group prior to the entry into the transactions with PTBI).

3.2 Information on Bank Sampoerna

Bank Sampoerna is a private bank established in Indonesia, offering regular financial services to small and medium enterprises, individuals and companies in Indonesia.

As set out in section 8.2 of the Circular, as at the Latest Practicable Date, Michael Sampoerna, a Director of the Company, holds indirectly through PT Sampoerna Investama, more than 30% of the shares in Bank Sampoerna, and therefore Bank Sampoerna is considered an associate of Michael Sampoerna and is an interested person. Accordingly, the Overdraft Facility Renewal is an interested person transaction under Chapter 9 of the Listing Manual.

4. OVERVIEW OF THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PTBI

4.1 Introduction

The Company wishes to seek Shareholders' approval for general mandate for interested person transactions pursuant to Part VIII of Chapter 9 of the Listing Manual between (a) the Company, (b) a subsidiary of the Company that is not listed on the SGX-ST or an approved exchange, or (c) an associated company of the Company that is not listed on the SGX-ST or an approved exchange, provided that the Group, or the Group and its interested person(s) has control over the associated company (collectively, the **"Entities at Risk"**) and PTBI (the **"Mandated Interested Person"**).

The General Mandate for the Acquisition of Face-Back Veneers from PTBI will apply to the acquisition of face-back veneers from PTBI for the manufacturing of quality plywood for export (the **"Mandated Transactions"**).

Pursuant to Chapter 9 of the Listing Manual, the Company has appointed us as the IFA to the Non-Interested Directors in respect of the General Mandate for the Acquisition of Face-Back Veneers from PTBI.

4.2 The General Mandate for the Acquisition of Face-Back Veneers from PTBI

4.2.1 **Rationale for and Benefit of the General Mandate for the Acquisition of Face-Back Veneers from PTBI**

The rationale for and benefit of the General Mandate for the Acquisition of Face-Back Veneers from PTBI are set out in section 6.3 of the Circular, and Shareholders are advised to read the information carefully.

4.2.2 **Validity of the General Mandate for the Acquisition of Face-Back Veneers from PTBI**

The validity of the General Mandate for the Acquisition of Face-Back Veneers from PTBI is set out in section 6.5.4 of the Circular, and Shareholders are advised to read the information carefully.

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4.2.3 Classes of Mandated Interested Person under the General Mandate for the Acquisition of Face-Back Veneers from PTBI

The classes of Mandated Interested Person under the General Mandate for the Acquisition of Veneers from PTBI are set out in section 6.1 of the Circular, and Shareholders are advised to read the information carefully.

4.2.4 Scope of Mandated Transactions under the General Mandate for the Acquisition of Face-Back Veneers from PTBI

The scope of Mandated Transactions under the General Mandate for the Acquisition of Veneers from PTBI that will apply is set out in section 6.4 of the Circular, and Shareholders are advised to read the information carefully.

4.2.5 Guidelines and review procedures for the General Mandate for the Acquisition of Face-Back Veneers from PTBI

The guidelines and review procedures for the General Mandate for the Acquisition of Face-Back Veneers from PTBI are set out in section 6.5 of the Circular, and Shareholders are advised to read the information carefully.

5. OVERVIEW OF THE OVERDRAFT FACILITY RENEWAL**5.1 Introduction**

The Company had, at the 2017 EGM (as defined in the Circular) sought and obtained the approval of Shareholders for, *inter alia*, the 2017 Overdraft Facility Renewal Mandate (as defined in the Circular).

Following the 2017 EGM, the Group renewed the Overdraft Facility for IDR 60 billion for a total period of 12 months commencing from April 2017 at a fixed interest rate of 13.5% per annum for working capital purposes. Based on the audited consolidated financial statements of the Group as at 31 December 2017, the aggregate value of the interest expense and other charges on the Overdraft Facility was approximately IDR 5,137 million, which represented approximately 8.2% of the audited consolidated NTA of the Group as at 31 December 2016.

Assuming that the renewed Overdraft Facility is fully utilised, the interest and other charges to be paid pursuant to the Overdraft Facility Renewal would be approximately IDR 8,705 million, which represents approximately 10.6% of the latest audited consolidated NTA of the Group as at 31 December 2017 (being the latest audited consolidated NTA of the Group as at the date of this Circular). As such, in accordance with Rule 906(1)(a) of the Listing Manual, Shareholders' approval is required for the Overdraft Facility Renewal.

Further details of the Overdraft Facility are set out in section 8.3 of the Circular, and Shareholders are advised to read the information carefully.

5.2 Details of the Overdraft Facility Renewal

As the Overdraft Facility granted by Bank Sampoerna is maturing, Bank Sampoerna has offered to extend the overdraft facility on the following key terms and conditions:

Facility	: Overdraft facility
Amount of Facility	: IDR 60 billion
Purpose of Facility	: Working Capital
Period	: 12 months commencing on 28 April 2018
Effective interest rate per annum	: 13.5% fixed rate per annum
Credit/ Provision fee	: 1% per annum
Administration Fee	: IDR 5,000,000
Borrower	: PT Sumber Graha Sejahtera ("PT SGS"), a wholly-owned subsidiary of the Company

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The terms and conditions of the Overdraft Facility Renewal, including the interest rate and provision fee, were commercially negotiated between the Group and Bank Sampoerna, taking into account the prevailing interest rates, the financial condition of the Group, as well as the availability of overdraft facilities to the Group from other banks in Indonesia. As set out in section 8.3.2 of the Circular, the provision fee of 1% charged by Bank Sampoerna for providing an overdraft facility for working capital purposes is not uncommon in Indonesia. Taking into account the terms of the Overdraft Facility Renewal as a whole, the Company is of the view that the provision fee obtained by the Company was commercially acceptable. No security is required to be provided in relation to the Overdraft Facility Renewal.

5.3 Shareholders' approval

Based on the latest audited consolidated accounts of the Group, the consolidated NTA of the Group was IDR 81.8 billion as at 31 December 2017. Assuming that the renewed Overdraft Facility is fully utilised, the interest and other charges to be paid pursuant to the Overdraft Facility Renewal would amount to approximately IDR 8,705 million, which represents approximately 10.6% of the latest audited consolidated NTA of the Group as at 31 December 2017 (being the latest audited consolidated NTA as at the date of Circular). As such, in accordance with Rule 906(1)(a) of the Listing Manual, Shareholders' approval is required for the Overdraft Facility Renewal.

Further details on the Overdraft Facility Renewal, including the rationale for and benefit of, are set out in section 8 of the Circular, and Shareholders are advised to read the information carefully.

6. EVALUATION OF THE OVERDRAFT FACILITY RENEWAL AS AN INTERESTED PERSON TRANSACTION

In our evaluation of the Overdraft Facility Renewal as an Interested Person Transaction, we have considered the following:

- (a) the rationale for and benefit of the Overdraft Facility Renewal;
- (b) the historical financial performance and position of the Group;
- (c) the reasonableness of the key terms of the Overdraft Facility Renewal; and
- (d) other relevant considerations.

6.1 Rationale for and benefit of the Overdraft Facility Renewal

The full text of the rationale for and benefit of the Overdraft Facility Renewal is set out in section 8.4 of the Circular, and has been reproduced below:

"The Group regularly requires financing for working capital purposes, and in particular, the readiness of available funds is critical in order for the Group to purchase raw materials to fulfil its orders for timber products.

The economic slowdown in Indonesia and globally, in particular, for commodity businesses, has persisted since the 2017 Circular. Banks in Indonesia have remained cautious in providing new loans to their clients. Given the past financial results of the Group, it is difficult for the Group to obtain further loans from other banks for working capital without the provision of security. Delays faced by the Group in obtaining such additional financing may affect the Group's ability to fulfil orders in a timely manner, reduce cost efficiency, and affect the Group's operations generally. The availability of the Overdraft Facility will provide the Group with the flexibility the Group requires when demand for its products increases, which in turn necessitates the purchase of more raw materials, and the Group will be able to secure raw materials in a timely and cost effective manner.

In addition, as at the date of this Circular, the Group has approached 5 other banks in Indonesia to provide quotes for an IDR 60,000,000,000 working capital overdraft facility. All 5 banks have declined the Group's request for an additional working capital loan for IDR 60,000,000,000 on the same terms and conditions as that provided by Bank Sampoerna without the Group providing security.

In the event that Shareholders' approval for the Overdraft Facility Renewal is not obtained, the unavailability of working capital overdraft facilities may affect the Group's operations.

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Notwithstanding the proposed renewal of the Overdraft Facility, the Company will continue to seek other alternative financing arrangements. In the event that other banks propose to offer overdraft facilities to the Group, such offer will be brought to the attention of the Audit Committee for review and approval. If the Audit Committee deems such overdraft facilities to be on better terms, the Company will enter into and utilise such facilities before utilising the renewed Overdraft Facility."

6.2 Historical Financial Performance and Position of the Group

The salient historical financial information of the Group for the financial years ended 31 December 2015, 2016 and 2017 ("FY2015", "FY2016" and "FY2017" respectively) is set out below:

Consolidated Income Statement (IDR' million)	Audited		
	FY2015	FY2016	FY2017
Revenue	3,463,008	3,116,088	3,462,562
Gross profit	343,807	260,357	496,034
Loss before taxation	(450,774)	(333,823)	(28,939)
Net profit / (loss) attributable to owners of the Company	(477,723)	(403,364)	30,092

Consolidated Balance Sheets (IDR' million)	Audited		
	As at 31 December		
	2015	2016	2017
Current assets	1,011,013	849,088	936,094
Current liabilities	1,040,270	950,976	1,154,286
Working capital	(29,257)	(101,888)	(218,192)
Non-current assets	882,321	717,663	740,149
Non-current liabilities	697,488	546,545	435,386
Total loans and borrowings	992,883	831,532	828,184
Equity attributable to owners of the Company	144,729	62,474	81,754

Consolidated Cash Flows Statement (IDR' million)	Audited		
	FY2015	FY2016	FY2017
Net cash flows (used in) / generated from operating activities	(6,444)	(176,494)	100,143
Net cash flows (used in) / generated from investing activities	(87,459)	79,193	(36,356)
Net cash flows generated from / (used in) financing activities	74,596	59,301	(102,245)
Net decrease in cash and cash equivalents	(19,307)	(38,000)	(38,458)
Cash and cash equivalents at end of financial year	91,075	52,656	20,499

Source: Annual report of the Company for FY2016 and FY2017

We note that:

- (a) **Revenue.** The Group's revenue decreased by 10.0% from IDR 3,463.0 billion in FY2015 to IDR 3,116.1 billion in FY2016 amid a slowdown in export sales and a slight decline in domestic sales volume.

The Group's revenue increased from IDR 3,116.1 billion in FY2016 to IDR 3,462.6 billion in FY2017 mainly due to an increase in sales volume for both domestic and export markets despite slightly lower total average selling prices.

- (b) **Gross profit.** Gross profit decreased from IDR 343.8 billion in FY2015 to IDR 260.4 billion in FY2016 mainly due to lower sales and higher unit production costs incurred as a result of lower production volume and increased raw material costs.

The Group's gross profit increased from IDR 260.4 billion in FY2016 to IDR 496.0 billion in FY2017 mainly due to (i) higher sales generated from the higher sales volume and supported by lower unit production costs, (ii) lower labour costs following the Group's cost cutting exercise in 2016, and (iii) lower overhead costs.

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- (c) **Net profit / (loss).** In FY2016, the Group recorded net loss attributable to owners of the Company of IDR 403.4 billion as compared to the net loss attributable to owners of the Company of IDR 477.7 billion in FY2015, mainly attributable to (i) an increase in other income of IDR 99.0 billion in FY2016 as a result of realising a net gain on disposal of investment from the sale of PT SLJ Global Tbk which amounted to IDR 95.7 billion, unrealised foreign exchange gain of IDR 6.0 billion due to the weakening of the US dollar, as well as a net gain on disposal of property, plant and equipment of IDR 2.3 billion, and (ii) the decrease in other expenses of IDR 86.9 billion mainly due to the absence of a unrealised foreign exchange loss of IDR 90.0 billion incurred in FY2015. This was partially offset by (i) a lower gross profit recorded in FY2016 as compared to FY2015 (as explained above), (ii) an increase in general and administration expenses of IDR 21.1 billion in FY2016 mainly due to higher provision for pension costs and professional fees incurred for a non-routine re-organisation exercise, and (iii) a one-off impairment of assets totalling IDR 109.0 billion in view of deteriorating market conditions. The Group recorded a net profit attributable to owners of the Company of IDR 30.1 billion in FY2017 vis-à-vis a net loss attributable to owners of the Company of IDR 403.4 billion in FY2016 mainly due to (i) higher gross margin in FY2017 as explained in (b) above and (ii) decrease in freight costs and interest expenses, offset by the decrease in other income mainly due to the absence of a one-off gain on disposal of investment in PT SLJ Global Tbk in FY2016. We note that in FY2016, the Group impaired prepaid taxes and deferred tax assets amounting to IDR 36 billion and IDR 27 billion, respectively, as a result of the Group's re-organisation exercise. However, based on 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, and had therefore decided to recognise the prior years' deferred tax assets amounted to IDR 59.3 billion in FY2017.
- (d) **Working capital.** The Group recorded negative working capital of IDR 29.3 billion, IDR 101.9 billion and IDR 218.2 billion as at 31 December 2015, 31 December 2016 and 31 December 2017 respectively. The decrease in working capital in FY2017 was due to an increase in advances from customers and trade and other payables in the ordinary course of business and an increase in the short-term loan borrowings, partially offset by an increase in trade receivables in line with the increase in sales and higher advances to suppliers for logs and veneers to get a lower cost of logs and veneers.
- (e) **Equity attributable to owners of the Company.** Equity attributable to owners of the Company had decreased from IDR 144.7 billion as at 31 December 2015 to IDR 62.5 billion as at 31 December 2016. As at 31 December 2017, equity attributable to owners of the Company increased to IDR 81.8 billion; and
- (f) **Operating cash flows.** The Group recorded negative operating cash flows of IDR 6.4 billion and IDR 176.5 billion for FY2015 and FY2016, and recorded positive operating cash flow of IDR 100.1 billion for FY2017 respectively.

We note that Ernst & Young LLP, the independent auditors of the Company had, in the Independent Auditor's Report for FY2017, highlighted that the Management's assessment on whether the Group will be able to continue to meet its obligations under the financing covenants and the availability of sufficient funding for its operations are important considerations for the going concern assumption in its preparation of the consolidated financial statements and the related disclosures in Note 2.1 to the financial statements as a key audit matter. We further note the following statement on the basis of preparation of the consolidated financial statements of the Group under Note 2.1 to financial statements:

"For the financial year ended 31 December 2017, the Group incurred loss before tax of Rp28,939 million (2016: Rp333,823 million) and at that date, the Group's current liabilities exceeded its current assets by Rp218,192 million (2016: Rp101,888 million).

Notwithstanding this, in the opinion of the Directors, these financial statements can be prepared on a going concern basis due to the availability of banking facilities which will enable the Group to pay its debts as and when they fall due, and that the Group will also be able to generate adequate cash flows from its operations."

Further details on the key audit matters highlighted by the independent auditors of the Company are set out in the annual report of the Company for FY2017, and shareholders are advised to read the information carefully.

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In addition, we note that in the annual report of the Company for FY2017, PT SGS, 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 bank is contractually entitled to request for immediate repayment of the outstanding loan amount in the event of a breach of covenants. On 2 November 2017, the bank had granted a waiver to PT SGS from immediate repayment of the loan on the condition that no dividend payment is to be made for as long as PT SGS remains in breach of the covenants.

6.3 Reasonableness of the Key Terms of the Overdraft Facility Renewal

6.3.1 Interest rate

We note that the interest rate under the Overdraft Facility Renewal is at a fixed rate of 13.5% per annum, with an additional 1% provision fee that will be charged by Bank Sampoerna in consideration of Bank Sampoerna providing the overdraft facility for working capital purposes.

In evaluating whether the interest rate payable by the Group in relation to the Overdraft Facility Renewal is reasonable, we have made a comparison with the interest rates currently payable by the Group under its existing bank loans, excluding the Overdraft Facility with Bank Sampoerna (the "Bank Loans"):

	Facility size (IDR' billion) ⁽¹⁾	Average daily outstanding loan balance (IDR' billion) ⁽¹⁾	Interest rate (p.a.)	Interest amount for FY2017 (IDR' billion) ⁽¹⁾	Effective Interest rate for FY2017 (p.a.) ⁽²⁾	Provision fee	Collateral and guarantees
Loan 1 (USD) (secured)	196.1 134.4 135.5	150.1 80.9 31.3	4.75% + 1 month LIBOR ⁽³⁾ 4.75% + 1 month LIBOR 4.25% + 1 month LIBOR	8.9 4.7 1.7	5.79% 5.79% 5.32%	2% ⁽⁴⁾ 2% ⁽⁴⁾ 1%	Loans 1, 2, 3 and 4 are secured by land use rights, buildings, machinery, inventories, account receivables and bank balances of certain subsidiaries, with guarantee undertaking from 2 major shareholders of the Company, the Company and certain subsidiaries of the Group
Loan 2 (USD) (secured)	271.0	233.1	4.00%	9.5	4.00%	Nil	
Loan 3 ⁽⁵⁾ (IDR) (secured)	147.3 62.0 219.6	114.2 48.0 151.8	1.00 - 1.75% + SBDK ⁽⁶⁾ 1.00 - 1.75% + SBDK 1.00 - 1.75% + SBDK	13.3 5.6 17.6	11.52% 11.52% 11.42%	2% ⁽⁴⁾ 2% ⁽⁴⁾ 1%	
Loan 4 ⁽⁵⁾ (IDR) (secured)	58.0	29.6	4.75% + 1 month JIBOR ⁽⁷⁾ - 0.5% + SBDK	3.3	10.89%	0.75%	
Loan 5 (IDR) (secured)	17.5	17.5	10.00%	1.8	10.00%	1%	Land use rights, buildings, machinery, inventories and account receivables. No guarantees provided for the loan.

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	Facility size (IDR/ billion) ⁽¹⁾	Average daily outstanding loan balance (IDR/ billion) ⁽¹⁾	Interest rate (p.a.)	Interest amount for FY2017 (IDR/ billion) ⁽¹⁾	Effective Interest rate for FY2017 (p.a.) ⁽²⁾	Provision fee	Collateral and guarantees
<u>All Bank Loans</u>							
	High				11.52%		
	Weighted mean ⁽⁸⁾				7.63%		
	Low				4.00%		
<u>IDR-denominated Bank Loans</u>							
	High				11.52%		
	Weighted mean ⁽⁸⁾				11.35%		
	Low				10.00%		
Overdraft Facility (unsecured)	60.0	31.2	13.50% (fixed)	4.3	13.50%	1 - 2% ⁽⁹⁾	Corporate guarantee from PT Makmur Alam Sentosa ⁽¹⁰⁾
Overdraft Facility Renewal (unsecured)	60.0	-	13.50% (fixed)		13.50%	1%	Nil

Source: Provided by the Company.

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Notes:

- (1) Based on the exchange rate of US\$1:IDR 13,548 as at 31 December 2017.
- (2) The effective interest rate was computed by dividing the interest expense for the full year ended 31 December 2017 by the average daily outstanding balance of each loan (as provided by the Company, over a period of 365 days from 1 January 2017 to 31 December 2017 inclusive), adjusted to follow the 360-day convention.
- (3) Refers to London Interbank Offered Rate.
- (4) An upfront provision fee of 2% was charged on each of these term loans upon entry in FY2014.
- (5) In 2017, Loan 3's interest rate was revised from 1.75% to 1.00% above SBDK, while Loan 4's interest rate was revised from 4.75% above 1-month JIBOR to 0.5% above SBDK pursuant to negotiations of the terms of these loans by the Company with its lenders.
- (6) Refers to Suku Bunga Dasar Kredit, which is the prime lending rate for banks.
- (7) Refers to Jakarta Interbank Offered Rate.
- (8) Weighted based on the respective average outstanding balances of the Bank Loans.
- (9) A provision fee of 2% was charged on the Overdraft Facility from 28 April 2017 to 27 September 2017 on a pro-rated basis. The provision fee on the Overdraft Facility was subsequently reduced to 1% and was charged on the Overdraft Facility on a pro-rated basis from 28 September 2017 onwards.
- (10) A corporate guarantee was provided by PT Makmur Alam Sentosa, one of the subsidiaries of the Group, over the Overdraft Facility up till December 2017 as a result of the Group's internal restructuring exercise as announced on 6 November 2017, which involve the merging of certain subsidiaries of PT SGS (including PT Makmur Alam Sentosa) into PT SGS. The Company has confirmed that no corporate guarantee over the Overdraft Facility had been provided to Bank Sampoerna since.

We note that the interest rate payable under the Overdraft Facility Renewal of 13.50% is:

- (a) above the range of the effective interest rates of between 4.00% and 11.52% of the Bank Loans for FY2017; and
- (b) higher than the weighted mean interest rate of the Bank Loans of 7.63% for FY2017.

In addition, when comparing with the Indonesian Rupiah denominated Bank Loans (the "**IDR Bank Loans**"), we note that the interest rate payable under the Overdraft Facility Renewal of 13.50% is:

- (a) above the range of the effective interest rates of between 10.00% and 11.52% of the IDR Bank Loans for FY2017; and
- (b) higher than the weighted mean interest rate of 11.35% of the IDR Bank Loans for FY2017.

Based on the above, we note that the loan facilities that are provided in Indonesian Rupiah generally carry higher interest rates than USD-denominated facilities.

We note that each of the Bank Loans had required some form of collateral and guarantees from the Group and/or its major Shareholders. By comparison, the Overdraft Facility Renewal had not required any form of collateral from the Group. Accordingly, such loans were unsecured as the Group had not provided any of its assets as collateral in relation to the Overdraft Facility. We understand from the Company that it is generally accepted that secured lending (by way of collateral) usually carries lower interest rate than unsecured lending in Indonesia as a lender's risk will usually be significantly reduced by having priority in charges or legal claims over valuable assets/collaterals in the event of default and/or repayment orders.

We have also made a comparison with Bank Sampoerna's published prime lending rate as at 31 March 2018. We note that the interest rate payable under the Overdraft Facility Renewal is lower than Bank Sampoerna's published prime lending rate as at 31 March 2018 of 14.00% for corporation credit, 14.25% for retail credit and 16.50% for micro credit.

APPENDIX B - LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-INTERESTED DIRECTORS IN RELATION TO THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PTBI AND THE OVERDRAFT FACILITY RENEWAL

6.3.2 Provision Fee

We also note that a provision fee of 1% (or IDR 0.6 billion) will be charged by Bank Sampoerna for providing the Overdraft Facility. We note that the provision fee of 1% is within the range of provision fees charged on the Bank Loans of the Group of between 0.75% and 2%.

6.4 Other Relevant Considerations

6.4.1 No viable alternative source of funding

The Directors note that given the historical financial performance and position of the Group and the rationale as set out in section 8.4 of the Circular, it is difficult for the Group to seek any meaningful amount of external borrowing from external banks or financial institutions.

As at the Latest Practicable Date, the Directors have confirmed that they were not aware of any alternative offers for funding from other banks or financial institutions which were comparable in nature, size, interest rates and scope to the Overdraft Facility Renewal.

The Directors have also confirmed that as at the Latest Practicable Date, they are not aware of any viable alternative offers of capital injections in the Company from other parties.

6.4.2 Guidelines and review procedures for Interested Person Transactions

We note that the guidelines and review procedures as set out in section 6.5.3 (i) of the Circular, the Audit Committee of the Company will conduct a quarterly review of all Interested Person Transactions (including the Overdraft Facility Renewal) to ensure that the Interested Person Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

As set out in section 8.4 of the Circular, in the event that other banks propose to offer overdraft facilities to the Group, such offer will be brought to the attention of Audit Committee for review and approval. If the Audit Committee deems such overdraft facilities to be on better terms, the Company will enter into and utilise such facilities before utilising the renewed Overdraft Facility.

6.4.3 Recent corporate exercises by the Group

We note that the Company had on 9 October 2017, announced the proposed disposal of two parcels of land and the accompanying buildings owned by PT SGS (the “**Proposed Disposal**”). Based on the Company’s circular dated 17 November 2017, we note that the Company expects to receive net proceeds of approximately S\$6.1 million from the Proposed Disposal and that the net proceeds are intended to be used to meet cash flow and capital expenditure requirements for expansion and development of the other businesses of the Group, and for the Group’s general working capital as the Directors may deem fit in their absolute discretion. As at the Latest Practicable Date, we note that the Proposed Disposal has not been completed.

The Directors have confirmed that notwithstanding the expected net proceeds to be received by the Company upon the completion of the Proposed Disposal, they are of the view that the Overdraft Facility Renewal is required for its working capital purposes as set out in section 8.4 of the Circular.

6.4.4 Abstentions from voting at the EGM

We note that as set out in section 12.4 of the Circular, Michael Sampoerna will abstain from voting and has undertaken to procure that all of his associates abstain from voting at the EGM on the ordinary resolution in respect of the Overdraft Facility Renewal and will not accept appointments as proxies unless the minority Shareholders appointing him as proxy give specific instructions in the relevant proxy form on the manner in which they wish their votes to be cast for the ordinary resolution in respect of the Overdraft Facility Renewal.

APPENDIX B - LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-INTERESTED DIRECTORS IN RELATION TO THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PTBI AND THE OVERDRAFT FACILITY RENEWAL

Notwithstanding that Bank Sampoerna is an interested person by virtue of Michael Sampoerna's shareholding in PT Sampoerna Investama and not Mr Eka Dharmajanto Kasih's shareholding in Bank Sampoerna and PT Sampoerna Investama, Mr Eka Dharmajanto Kasih will nevertheless voluntarily abstain from voting (in the event that Mr Eka Dharmajanto Kasih becomes a Shareholder) and has undertaken to procure that all of his associates abstain from voting at the EGM on the ordinary resolution in respect of the Overdraft Facility Renewal and will not accept appointments as proxies unless the minority Shareholders appointing him as proxy give specific instructions in the relevant proxy form on the manner in which they wish their votes to be cast for the ordinary resolution in respect of the Overdraft Facility Renewal.

7. OUR OPINION

7.1 General Mandate for the Acquisition of Face-Back Veneers from PTBI

Having considered, *inter alia*, the rationale for and benefit of the General Mandate for the Acquisition of Face-Back Veneers from PTBI, the guidelines and review procedures of the Company for the Mandated Transactions and the role of the Audit Committee of the Company in enforcing the General Mandate for the Acquisition of Face-Back Veneers from PTBI, and subject to the qualifications and assumptions set out herein, we are of the opinion that the guidelines and review procedures for determining transaction prices of the Mandated Transactions as set out in section 6.5 of the Circular, if adhered to, are sufficient to ensure that the Mandated Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

7.2 The Overdraft Facility Renewal

In arriving at our opinion in respect of the Overdraft Facility Renewal, we have taken into account the following key considerations:

- (a) the rationale for and benefit of the Overdraft Facility Renewal, as detailed in paragraph 6.1 of this letter;
- (b) the historical financial performance and position of the Group, as detailed in paragraph 6.2 of this letter;
- (c) the reasonableness of the key terms of the Overdraft Facility Renewal, as detailed in paragraph 6.3 of this letter; and
- (d) other relevant considerations as follows:
 - (i) the absence of viable alternative source of funding;
 - (ii) the guidelines and review procedures for Interested Person Transactions;
 - (iii) recent corporate exercises by the Group; and
 - (iv) the parties' abstention from voting.

Having considered the above and subject to the assumptions and qualifications set out in this letter, we are of the opinion that, on balance, the Overdraft Facility Renewal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. Accordingly, we advise the Non-Interested Directors in respect of the Overdraft Facility Renewal to recommend the Shareholders to vote in favour of the Overdraft Facility Renewal.

Our opinions are prepared to comply with rules 920(1)(b)(v) and 921(4)(a) of the Listing Manual as well as addressed to the Non-Interested Directors (as the case may be) in connection with and for the purposes of their consideration of the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal. The recommendation(s) to be made by the Non-Interested Directors to the Shareholders shall remain the sole responsibility of the Non-Interested Directors, as the case may be.

APPENDIX B - LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-INTERESTED DIRECTORS IN RELATION TO THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PTBI AND THE OVERDRAFT FACILITY RENEWAL

Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of SAC Capital in each specific case, except for the forthcoming EGM and for the purposes of the General Mandate for the Acquisition of Face-Back Veneers from PTBI and the Overdraft Facility Renewal.

Our opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours faithfully

For and on behalf of

SAC CAPITAL PRIVATE LIMITED

Bernard Lim
Director

Chow You Yah
Partner

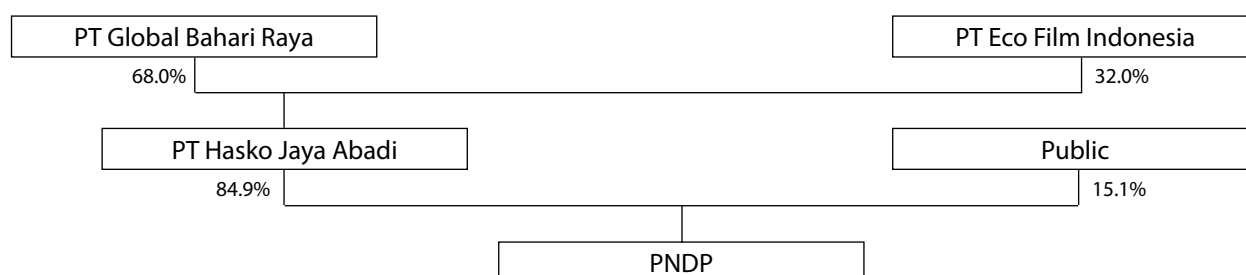
APPENDIX C - 2017 IPT GENERAL MANDATES

FURTHER INFORMATION ON THE 2017 IPT GENERAL MANDATES

1. CLASSES OF INTERESTED PERSONS

1.1. The General Mandate for the Charter and Freight Services

PNDP is listed on the Indonesian Stock Exchange and is an Indonesian-based company engaged in the shipping industry, providing, *inter alia*, transport and marine charter services. As at the date of this Circular, the shareholding structure of PNDP is as follows:

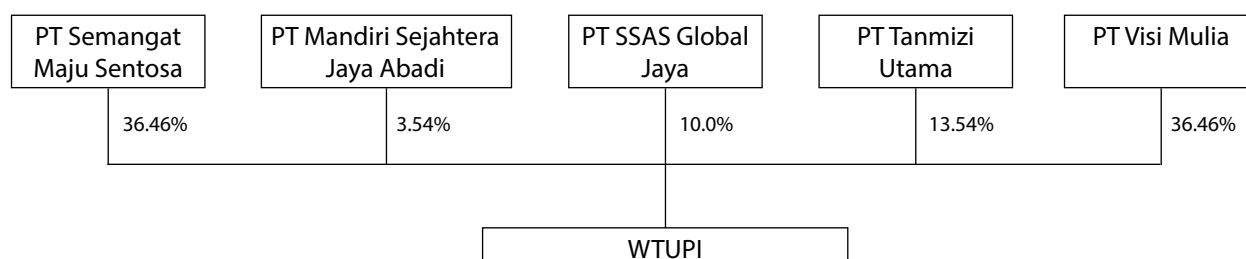


As at the date of this Circular, Mr Eugene Sunarko and Ms Piniaty Liawanto, the son and spouse respectively of Mr Koh Tji Beng @ Ambran Sunarko, collectively hold, indirectly through PT Global Bahari Raya and PT Eco Film Indonesia, more than 30.0% of the shares in PNDP. As Mr Koh Tji Beng @ Ambran Sunarko is a Director of the Company, PNDP is considered to be an Associate of Mr Koh Tji Beng @ Ambran Sunarko, and therefore an interested person. Accordingly, the charter and freight services to be provided by PNDP to the Group will be regarded as interested person transactions under Chapter 9 of the Listing Manual.

Disregarding transactions below S\$100,000 in accordance with Rules 905(3) and 906(2) of the Listing Manual, the aggregate value of all transactions entered into between the Group and PNDP for FY2017 was approximately IDR 3,002,000,000, which is approximately 4.8% of the audited consolidated NTA of the Group for FY2016 (being the latest audited consolidated NTA of the Group prior to the entry into the transactions with PNDP).

1.2. The General Mandate for the Acquisition of Face-Back Veneers from WTUPI

WTUPI is a company based in Indonesia and is engaged in the business of manufacturing plywood, laminated board and block board. As at the date of this Circular, the shareholding structure of WTUPI is as follows:



As at the date of this Circular, Mr Koh Tji Kim @ Aris Sunarko, who is the brother of Mr Koh Tji Beng @ Ambran Sunarko, and his Immediate Family collectively hold, indirectly, more than 30% of the shares in WTUPI. As Mr Koh Tji Beng @ Ambran Sunarko is a Director of the Company, Mr Koh Tji Kim @ Aris Sunarko and WTUPI are considered to be Associates of Mr Koh Tji Beng @ Ambran Sunarko, and therefore interested persons. Accordingly, the acquisition of face-back veneers by the Group from WTUPI will be regarded as interested person transactions under Chapter 9 of the Listing Manual.

Disregarding transactions below S\$100,000 in accordance with Rules 905(3) and 906(2) of the Listing Manual, the aggregate value of all transactions entered into between the Group and WTUPI for FY2017 was approximately IDR 1,159,000,000, which is approximately 1.86% of the audited consolidated NTA of the Group for FY2016 (being the latest audited consolidated NTA of the Group prior to the entry into the transactions with WTUPI).

APPENDIX C - 2017 IPT GENERAL MANDATES

1.3. The General Mandate for the Acquisition of Palm Logs

PSAT is an Indonesian-based palm oil producer listed on the Indonesian Stock Exchange. The PSAT Group operates palm oil plantations and is a producer of crude palm oil and palm kernel oil. The subsidiaries of the PSAT Group as at the date of this Circular are as follows:

PT Sampoerna Agro Tbk			
PT Aek Tarum*	99.00%	PT Pangan Agro Nusantara*	99.99%
PT Sungai Rangit	95.00%	PT Palma Timur Sejahtera*	99.99%
PT Telaga hikmah*	99.45%	PT Sentosa Timur Palma*	99.99%
PT Gunung Tua Abadi	99.86%	PT Palma Timur Sentosa*	99.99%
PT Binasawit Makmur	99.00%	PT Industri Hutan Lestari*	99.99%
PT Usaha Agro Indonesia	99.99%	PT Industri Hutan Unggul *	99.99%
PT Mutiara Bunda Jaya	99.38%	PT Usaha Agro Jaya*	99.99%
PT Selatanjaya Permai	99.99%	PT Usaha Agro Sejahtera*	99.99%
PT Sawit Selatan	99.95%	PT Kusuma Mentari Makmur*	99.98%
PT Sampoerna Bio Fuels	99.99%	PT Tebar Tandan Tenerah*	99.98%
PT National Sago Prima*	98.66%	PT Hutan Ketapang Industri*	64.58%
PT Lanang Agro Bersatu*	99.99%	PT Nusantara Sarana Alam*	99.99%
PT Sungai Menang	99.99%	PT Agro Planindo Utama*	99.98%
PT Tania Binatama	99.67%	PT Kedurang Prakarsa Nabati*	99.88%
PT Nusantara Sago Prima	99.91%	PT Anugerah Palm Indonesia*	99.99%
PT Pertiwi Agro Sejahtera*	99.99%	Sampoerna Palma Pte Ltd	100%
PT Wawasan Kebun Utama*	99.99%		

* Denotes indirect ownership via subsidiary

As at the date of this Circular, Mr Putera Sampoerna, the father of Mr Michael Joseph Sampoerna, a Non-Independent and Non-Executive Director of the Company, holds indirectly approximately 67.05% of the shares in PSAT. Accordingly, the PSAT Group is regarded to be an interested person of the Company.

There were no transactions entered into between the Group and the PSAT Group for FY2017.

2. RATIONALE FOR AND BENEFIT OF THE 2017 IPT GENERAL MANDATES

2.1. The General Mandate for the Charter and Freight Services

The Group has, from time to time, in the ordinary course of business, chartered tug boats which are used to tow barges from PDNP, for the transportation of logs from forest harvest sites to the Group's factories. These charters are recurring transactions which are likely to occur frequently.

Based on past experiences and expected requirements, the Group anticipates it will continue to require a certain number of barges and tug boats for its operations. PDNP has been the Group's main transport service provider for more than 10 years and PDNP has sufficient barges and tug boats to fulfil the Group's needs. In addition, there is a limited supply of barges of the requisite size and shipping services providers which can meet the Group's shipping logistics requirements. Further, as the lead time in procuring logs varies depending on, amongst other things, the location of the forest harvest sites, weather and river conditions and given the unpredictability of log availability, the Group believes it is critical to have a dedicated service provider so as to have better control over its shipping schedule and to align its shipping schedule with its production and sale schedule.

The General Mandate for Charter and Freight Services will eliminate the need for the Group to convene a general meeting on each occasion to seek Shareholders' prior approval to allow the Group to enter into such interested person transactions. This will substantially reduce the expenses associated with the convening of general meetings (including the engagement of external advisers and preparation of documents) on an *ad-hoc* basis, improve administrative efficacy and allow manpower resources and time to be channelled towards attaining other business objectives.

2.2. The General Mandate for the Acquisition of Face-Back Veneers from WTUPI

The Group produces various sizes and grades of processed timber products, including plywood. Plywood is manufactured by glueing plywood layers (also known as veneers) together. The veneers used in the manufacturing of plywood typically comprises the face, back and core veneers, and the quality of the face-back veneers used is typically the determining factor in the quality of plywood produced for export. Whilst the Group produces its own face-back veneers, the Group may also need to source for such veneers from other suppliers as and when the need arises. The need to purchase veneers from other suppliers typically arises when the demand in orders of plywood from export markets increases and the Group's internal production is unable to cope with such increase in demand due to unforeseen disruptions in the supply of logs, the manufacturing process or other unforeseen circumstances. As the Group expects the demand in orders of plywood from export markets to increase, it has therefore become increasingly important that quality face-back veneers are available if demand for export quality plywood increases. The Group believes that WTUPI has the experience to produce quality face-back veneers and the General Mandate for the Acquisition of Face-Back Veneers from WTUPI will also provide the Group with the flexibility to acquire face-back veneers in the event of any disruptions in supply.

The General Mandate for the Acquisition of Face-Back Veneers from WTUPI will eliminate the need for the Group to convene a general meeting on each occasion to seek Shareholders' prior approval to allow the Group to enter into such interested person transactions. This will substantially reduce the expenses associated with the convening of general meetings (including the engagement of external advisers and preparation of documents) on an *ad-hoc* basis, improve administrative efficacy and allow manpower resources and time to be channelled towards attaining other business objectives.

2.3. The General Mandate for the Acquisition of Palm Logs

Manufacturers of timber products in Indonesia have increasingly turned to using sengon wood as the primary raw material for timber production. Sengon wood is the preferred raw material for many manufacturers as the tree is highly adaptable to moist soil conditions and has a 5 to 10 year gestation period. In addition, the physical properties of sengon wood also meet the requirements for a wide range of timber products. The price of sengon wood has increased in recent years and the Group has looked at utilising other types of wood, including palm logs, as an alternative source of raw material for timber products.

The Group has experience using palm logs as an alternate source of raw material for timber products and the Group intends to expand the use of palm logs in its higher value products and to explore using palm logs for the production of core veneers to reduce the costs of production and its reliance on sengon wood. The General Mandate for the Acquisition of Palm Logs will provide the Group with the flexibility to purchase palm logs from the PSAT Group's plantations which are situated near to the Group's factories when appropriate.

The General Mandate for the Acquisition of Palm Logs will eliminate the need for the Group to convene a general meeting on each occasion to seek Shareholders' prior approval to allow the Group to enter into such interested person transactions. This will substantially reduce the expenses associated with the convening of general meetings (including the engagement of external advisers and preparation of documents) on an *ad-hoc* basis, improve administrative efficacy and allow manpower resources and time to be channelled towards attaining other business objectives.

3. GUIDELINES AND REVIEW PROCEDURES FOR THE 2017 IPT GENERAL MANDATES**3.1 Review procedures**

To ensure that all 2017 Mandated Transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, all 2017 Mandated Transactions shall be conducted in accordance with the Group's usual business practices and policies and on terms which are generally not less favourable than those extended by unrelated third parties. The Group has put in place the following review procedures for interested person transactions which will be implemented by the Group for the 2017 Mandated Transactions:

APPENDIX C - 2017 IPT GENERAL MANDATES

- (a) before entering into 2017 Mandated Transactions, quotations from at least 2 unrelated or independent third parties in respect of the same or substantially the same type of services or goods will be used as comparison wherever appropriate and practicable. While other factors (as set out Paragraph 3.1(b) below) will be taken into consideration, the rates of prices shall not be higher than the most favourable rate or price of the 2 other comparable quotations obtained from the 2 unrelated or independent third parties; and
- (b) in circumstances where it is not practicable or appropriate to compare against the terms of other transactions or quotations with unrelated or independent third parties or to obtain comparable prices and terms of contemporaneous transactions of similar goods or services of at least 2 other quotations (as set out Paragraph 3.1(a) above) from unrelated or independent third parties, an Executive Officer of the Group (with no interests in the transaction) shall, in determining whether the rates or prices are fair and reasonable, take into consideration the following factors:
 - (i) known available terms and conditions of recent comparable transactions;
 - (ii) availability of services required;
 - (iii) duration of contract;
 - (iv) strategic purposes of the transaction;
 - (v) volume of transaction;
 - (vi) scope, size, complexity, and resources required;
 - (vii) specifications required;
 - (viii) costing analysis;
 - (ix) historical rates or prices paid by the Group for such services or goods;
 - (x) publicly available data; and/or
 - (xi) track record of the relevant interested person.

3.2. Approval and review threshold limits

The Group will monitor the categories of all 2017 Mandated Transactions as follows:

- (a) for all 2017 Mandated Transactions which are above S\$100,000:

(i)	Approval Limits	Approving Authority
	Value of transaction is less than 3% of the latest audited consolidated NTA of the Group	Chief Financial Officer Failing which, another Executive Officer of the Group who: (aa) does not have any interest (direct or indirect) in relation to the relevant transaction; (bb) is not from the relevant department which raise the purchase request; and (cc) is not a director of the relevant interested person
	Value of transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the Group	Audit Committee

APPENDIX C - 2017 IPT GENERAL MANDATES

- (ii) where the value of any individual transaction, when aggregated with other transactions entered into with the relevant interested person during the same financial year, is equal to or exceeds 3% of the latest audited consolidated NTA of the Group, it must be approved by the Audit Committee prior to entry; and
- (iii) where the value of any individual transaction, when aggregated with other transactions entered into with the relevant interested person during the same financial year, is below 3% of the latest audited consolidated NTA of the Group, it must be approved prior to entry in accordance with the approval limits and by the corresponding approving authority as described in Paragraph 3.2(a)(i).

Any transaction to be made under the 2017 IPT General Mandates shall not be approved by the relevant approving authority unless:

- (aa) where quotations from at least 2 unrelated or independent third parties in respect of the same or substantially the same type of services or goods are obtained, the rates or prices from the relevant interested person (taking into consideration the other factors as set out in Paragraph 3.1(b)) is not higher than the most favourable rate or price of the 2 other comparable quotations obtained from the 2 unrelated or independent third parties; or
- (bb) where Paragraph 3.1(b) applies, the considerations in determining whether the price and terms offered are fair and reasonable as set out in Paragraph 3.1(b) are properly taken into account and documented;
- (b) all approvals must strictly follow the review procedures as stipulated in this Paragraph 3 and must be documented. The documentation, including the reasons for approval where necessary, must be accompanied with supporting documents to serve as audit trails, which will be subject to internal and/or external audit;
- (c) in addition to the above, the Chief Financial Officer (or equivalent person) will review (and document such review) all interested person transactions (including the 2017 Mandated Transactions) which are less than S\$100,000 in value and its register on a quarterly basis or such other period as determined by the Audit Committee; and
- (d) the above threshold limits are adopted by the Company after taking into account, among other things, the nature, volume, recurrent frequency and size of the transactions as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at with the view to strike a balance between (i) maximising the operation efficiency of the day-to-day operations of the Group, and (ii) maintaining adequate internal controls and governance in relation to the interested person transactions conducted under the 2017 Mandated Transactions. The threshold limits are intended to act as an additional safeguard to supplement the review procedures as set out above.

3.3. Additional controls

In addition to the review procedures set out in Paragraph 3.2, the Group has implemented the following procedures for 2017 Mandated Transactions:

- (a) the Company's internal auditors will review, on a quarterly basis, all interested person transactions (including the 2017 Mandated Transactions) to ensure that the relevant review procedures have been adhered to and the relevant approvals had been obtained, including the established procedures for monitoring the 2017 Mandated Transactions. The internal auditors will report directly to the Audit Committee. The Company's annual internal audit plan will incorporate a review of such interested person transactions (including the 2017 Mandated Transactions) entered into in the relevant financial year and the findings will be reported to the Audit Committee;

APPENDIX C - 2017 IPT GENERAL MANDATES

- (b) the Audit Committee will review the quarterly internal audit reports and the review procedures for interested person transactions to determine if they are adequate and/or commercially practicable in ensuring that all interested person transactions (including the 2017 Mandated Transactions) are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, and in accordance with the review procedures outlined above. Furthermore, if during these periodic reviews, the Audit Committee is of the view that the review procedures as set out in Paragraph 3 are no longer sufficient or appropriate to ensure that (i) the 2017 Mandated Transactions will be carried out on normal commercial terms and (ii) will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will adopt new guidelines and review procedures for 2017 Mandated Transactions. All new interested person transactions conducted under the 2017 Mandated Transactions will be reviewed and approved by the Audit Committee prior to entry while a fresh general mandate is being sought from Shareholders. The Audit Committee will request for the opinion of an independent financial adviser (where applicable) or an independent valuer as it deems fit;
- (c) the Chief Financial Officer (or equivalent person) shall maintain a list of Directors and Controlling Shareholders, which shall be updated as and when there are any changes to the Directors and/or Controlling Shareholders, to enable the identification of interested persons; and
- (d) in the event that the Chief Executive Officer, the Chief Financial Officer, any Executive Officer, any Director and/or any member of the Audit Committee has an interest in any interested person transaction, he will abstain from deliberating on, reviewing and/or approving (as the case may be) that particular transaction.

In addition to the above, the Company will implement the following additional procedures for interested person transactions, including the 2017 Mandated Transactions;

- (i) the Audit Committee will review all interested person transactions (including the 2017 Mandated Transactions) on a quarterly basis (except where 2017 Mandated Transactions are required under the review procedures to be approved by the Audit Committee prior to the entry thereof) to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual) and the guidelines under the 2017 IPT General Mandates are complied with. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other documents deemed necessary by the Audit Committee. If necessary or appropriate, the Audit Committee has the right to require the appointment of independent sources, advisers, and/or independent valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review and report the findings to the Audit Committee;
- (ii) the Company will prepare and maintain a register to record all interested person transactions (including the 2017 Mandated Transactions and transactions below S\$100,000) which are entered into by the Group, recording and documenting the identity of the interested persons and the basis, including quotations obtained from unrelated third parties, supporting evidence and details of any other factors considered, to support the basis on which the interested person transactions (including the 2017 Mandated Transactions) were entered into as well as the approving authority. The register shall be prepared, maintained and monitored by personnel of the Company (who shall not be interested in any of the interested person transactions) who is duly delegated to do so by the Audit Committee and any exceptions or departures from the review procedures shall be reported and highlighted to the Audit Committee immediately. The Chief Financial Officer (or the equivalent person) shall review the register on a quarterly basis; and
- (iii) the Audit Committee shall review the list of Directors and Controlling Shareholders of the Company on an annual basis.

3.4. Expiry and renewal of the 2017 IPT General Mandates

If approved by Shareholders at the EGM, the 2017 IPT General Mandates will take effect from the date of receipt of Shareholders' approval and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next AGM. Approval from Shareholders may be sought for the renewal of the 2017 IPT General Mandates at each subsequent AGM of the Company, subject to review by the Audit Committee of its continued application to the interested person transactions.

APPENDIX C - 2017 IPT GENERAL MANDATES

If the Audit Committee is of the view that the review procedures under the 2017 IPT General Mandates have become inappropriate or are not sufficient to ensure that the interested person transactions under the 2017 IPT General Mandates are transacted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh general mandate from the Shareholders based on new review procedures for the 2017 Mandated Transactions.

3.5. Disclosure

Pursuant to Rule 920(1)(a) of the Listing Manual, the Company will:

- (a) disclose the 2017 IPT General Mandates in the annual report, providing details of the aggregate value of transactions conducted pursuant to the 2017 IPT General Mandates during the relevant financial year; and
- (b) announce the aggregate value of transactions conducted pursuant to the 2017 IPT General Mandates for the financial periods which it is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report.

These disclosures will be in the form set out in Rule 907 of the Listing Manual.

NOTICE OF EXTRAORDINARY GENERAL MEETING

SAMKO TIMBER LIMITED

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of the members of Samko Timber Limited (the "**Company**") will be held on 27 April 2018, Friday at 3.00 pm (or immediately after the conclusion or adjournment of the annual general meeting of the Company held on the same date at 2.00 pm) at Carlton Hotel Singapore, Connaught Room, Level 2, 76 Bras Basah Road, Singapore 189558, for the purpose of considering and, if thought fit, passing with or without amendment, the ordinary resolutions as set out below.

*All capitalised terms used in this Notice which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 12 April 2018 (the "**Circular**") in relation to the Proposals.*

RESOLUTION 1: ORDINARY RESOLUTION – THE ADOPTION OF THE SAMKO TIMBER PERFORMANCE SHARE PLAN

That the performance incentive share plan to be known as the Samko Timber Performance Share Plan (the "**Plan**"), the Rules of which have been set out in the Circular, be and is hereby approved and adopted substantially in the form set out in the Rules, and the Directors of the Company be and are hereby authorised:

- (a) to establish and administer the Plan;
- (b) to modify and/or amend the Plan from time to time, provided that such modifications and/or amendments are effected in accordance with the provisions of the Plan, and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Plan;
- (c) pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, to offer and grant Awards in accordance with the rules of the Plan, and to allot and issue from time to time such number of fully paid-up Shares in the capital of the Company as may be required to be issued pursuant to the Vesting of the Awards under the Plan provided that the aggregate number of Shares to be issued pursuant to the Plan and any other share incentive schemes of the Company, shall not exceed 3.0% of the total issued Share capital of the Company (excluding treasury shares and subsidiary holdings) from time to time; and
- (d) to complete and do all such acts and things (including executing such documents as may be required) as they may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and authorised by this resolution.

RESOLUTION 2: ORDINARY RESOLUTION – THE ADOPTION OF THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PT BASIRIH INDUSTRIAL

That:

- (a) approval be and is hereby given for the Company, and any of its subsidiaries and associated companies that is an "entity at risk" (as defined in Chapter 9 of the Listing Manual), to enter into transactions under the General Mandate for the Acquisition of Face-Back Veneers from PTBI, provided that such transactions are made on normal commercial terms which are not prejudicial to the interests of its minority Shareholders and are in accordance with the review procedures for the General Mandate for the Acquisition of Face-Back Veneers from PTBI as set out in the Circular, such transactions being "interested person transactions" for the purposes of Chapter 9 of the Listing Manual;
- (b) all the Directors of the Company and each of them be authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as they/he may consider necessary, desirable, expedient or in the interests of the Company to give effect to this resolution; and
- (c) the authority conferred by this resolution shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

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RESOLUTION 3: ORDINARY RESOLUTION – THE RENEWAL OF THE GENERAL MANDATE FOR THE CHARTER AND FREIGHT SERVICES TO BE PROVIDED BY PT PELAYARAN NELLY DWI PUTRI

That:

- (a) approval be and is hereby given for the Company, and any of its subsidiaries and associated companies that is an “entity at risk” (as defined in Chapter 9 of the Listing Manual), to enter into transactions under the General Mandate for the Charter and Freight Services, provided that such transactions are made on normal commercial terms which are not prejudicial to the interests of its minority Shareholders and are in accordance with the review procedures for the General Mandate for the Charter and Freight Services as set out in the Circular, such transactions being “interested person transactions” for the purposes of Chapter 9 of the Listing Manual;
- (b) all the Directors of the Company and each of them be authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as they/he may consider necessary, desirable, expedient or in the interests of the Company to give effect to this resolution; and
- (c) the authority conferred by this resolution shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

RESOLUTION 4: ORDINARY RESOLUTION – THE RENEWAL OF THE GENERAL MANDATE FOR THE ACQUISITION OF FACE-BACK VENEERS FROM PT WIJAYA TRIUTAMA PLYWOOD INDUSTRI

That:

- (a) approval be and is hereby given for the Company, and any of its subsidiaries and associated companies that is an “entity at risk” (as defined in Chapter 9 of the Listing Manual), to enter into transactions under the General Mandate for the Acquisition of Face-Back Veneers from WTUPI, provided that such transactions are made on normal commercial terms which are not prejudicial to the interests of its minority Shareholders and are in accordance with the review procedures for the General Mandate for the Acquisition of Face-Back Veneers from WTUPI as set out in the Circular, such transactions being “interested person transactions” for the purposes of Chapter 9 of the Listing Manual;
- (b) all the Directors of the Company and each of them be authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as they/he may consider necessary, desirable, expedient or in the interests of the Company to give effect to this resolution; and
- (c) the authority conferred by this resolution shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

RESOLUTION 5: ORDINARY RESOLUTION – THE RENEWAL OF THE GENERAL MANDATE FOR THE ACQUISITION OF PALM LOGS FROM PT SAMPOERNA AGRO TBK AND ITS SUBSIDIARIES

That:

- (a) approval be and is hereby given for the Company, and any of its subsidiaries and associated companies that is an “entity at risk” (as defined in Chapter 9 of the Listing Manual), to enter into transactions under the General Mandate for the Acquisition of Palm Logs, provided that such transactions are made on normal commercial terms which are not prejudicial to the interests of its minority Shareholders and are in accordance with the review procedures for the General Mandate for the Acquisition of Palm Logs as set out in the Circular, such transactions being “interested person transactions” for the purposes of Chapter 9 of the Listing Manual;
- (b) all the Directors of the Company and each of them be authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as they/he may consider necessary, desirable, expedient or in the interests of the Company to give effect to this resolution; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the authority conferred by this resolution shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

RESOLUTION 6: ORDINARY RESOLUTION – THE OVERDRAFT FACILITY RENEWAL AS AN INTERESTED PERSON TRANSACTION

That:

- (a) approval be and is hereby given for the Company to undertake the Overdraft Facility Renewal in accordance with the terms therein, and the transactions contemplated thereunder which constitute an interested person transaction; and
- (b) all the Directors of the Company and each of them be authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as they/he may consider necessary, desirable, expedient or in the interests of the Company to give effect to this resolution.

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer

Singapore, 12 April 2018

Notes:

- (1) For further details, please refer to the Circular to the Shareholders dated 12 April 2018.
- (2) In line with the Listing Manual, the Company shall conduct voting on all resolutions to be proposed at the EGM by way of poll.
- (3) A member entitled to attend and vote at the EGM, and who is not a relevant intermediary, may appoint not more than two (2) proxies to attend and vote in his/her stead. A member which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member (which number and class of Shares shall be specified).
- “Relevant intermediary”** has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
- (4) A proxy need not be a member of the Company.
- (5) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company at 7500A Beach Road, #08-305/307 The Plaza, Singapore 199591 not later than forty-eight (48) hours before the time appointed for the holding of the EGM.
- (6) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
- (7) A Depositor's name must appear on the Depository Register maintained by CDP as at seventy-two (72) hours before the time appointed for holding the EGM in order for the Depositor to be entitled to attend and vote at the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the **“Purposes”**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Samko Timber Limited

(Incorporated in the Republic of Singapore)

(Company Registration No. 200517815M)

Important:

1. A relevant intermediary may appoint more than 2 proxies to attend the Extraordinary General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF moneys to buy shares in the capital of Samko Timber Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent for their information only.
3. This proxy form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

EXTRAORDINARY GENERAL MEETING PROXY FORM (Please see notes overleaf before completing this Form)

I/We* _____ NRIC / Passport No.* _____ of _____ (Address) being a member / members* of Samko Timber Limited (the "Company") hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her/them, the Chairman of the Extraordinary General Meeting (the "EGM") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the EGM to be held on 27 April 2018, Friday at 3.00 pm (or immediately after the conclusion or adjournment of the annual general meeting of the Company held on the same date at 2.00 pm) at Carlton Hotel Singapore, Connaught Room, Level 2, 76 Bras Basah Road, Singapore 189558 and at any adjournment thereof.

Note: Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of EGM. Alternatively, please indicate the number of votes as appropriate. In the absence of specific directions, the proxy/proxies may vote or abstain as he/they may think fit, as he/they will on any other matter arising at the EGM.

Ordinary Resolution 1	No. of votes for	No. of votes against
To approve the adoption of the Plan		
Ordinary Resolution 2	No. of votes for	No. of votes against
To approve the General Mandate for the Acquisition of Face-Back Veneers from PTBI		
Ordinary Resolution 3	No. of votes for	No. of votes against
To approve the renewal of the General Mandate for Charter and Freight Services		
Ordinary Resolution 4	No. of votes for	No. of votes against
To approve the renewal of the General Mandate for the Acquisition of Face-Back Veneers from WTUPI		
Ordinary Resolution 5	No. of votes for	No. of votes against
To approve the renewal of the General Mandate for the Acquisition of Palm Logs		
Ordinary Resolution 6	No. of votes for	No. of votes against
To approve the Overdraft Facility Renewal		

*Delete where applicable

Dated this _____ day of _____ 2018

Signature(s) of Member(s) or Common Seal
of Corporate Shareholder

Total number of Shares held in:	No. of Shares
CDP Register	
Register of Members	

IMPORTANT: PLEASE READ THE NOTES OVERLEAF



Notes:

- (1) Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
- (2) A member of the Company (who is not a relevant intermediary) entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
- (3) Where a member (who is not a relevant intermediary) appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion is specified, the appointment shall be invalid.
- (4) A member who is a relevant intermediary entitled to attend the EGM and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member (which number and class of Shares shall be specified). Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- (5) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 7500A Beach Road, #08-305/307 The Plaza, Singapore 199591, not less than forty-eight (48) hours before the time appointed for the EGM, failing which the instrument may be treated as invalid.
 - (6) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 - (7) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
 - (8) The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
 - (9) In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM, as certified by CDP to the Company.
 - (10) Terms not defined herein have the meanings ascribed to them in the circular to the shareholders of the Company dated 12 April 2018.
 - (11) The submission of an instrument or form appointing a proxy or proxies by a member of the Company does not preclude him/her from attending and voting in person at the EGM if he/she wishes to do so.
 - (12) A Depositor's name must appear on the Depository Register maintained by CDP not less than seventy-two (72) hours before the time appointed for holding the EGM in order for him/her to be entitled to attend and vote at the EGM.
 - (13) **PERSONAL DATA PRIVACY:** Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak, and vote at the EGM and/or any adjournment thereof, a member of the Company:
 - (a) consents to the collection, use, and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes, and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations, and/or guidelines (collectively, the **“Purposes”**);
 - (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use, and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
 - (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses, and damages as a result of the member's breach of warranty.