



SAMKO TIMBER LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200517815M)

THE PROPOSED DISPOSAL OF SHARES IN PT SLJ GLOBAL TBK

1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Samko Timber Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company has, on 15 August 2016, entered into a conditional agreement (the “**Agreement**”) with Mr Koh Tji Kiong @ Amir Sunarko (“**Amir Sunarko**”) pursuant to which the Company has agreed to sell all the 766,275,582 shares (the “**PT SLJ Shares**”) in PT SLJ Global Tbk (“**PT SLJ**”), which it holds indirectly through its wholly owned subsidiary, PT Sumber Graha Sejahtera (“**PT SGS**”), to Mr Amir Sunarko at IDR125 for each PT SLJ Share, for a total consideration of IDR95,784,447,750 (the “**Consideration**”), on the terms and subject to the conditions of the Disposal Agreement (the “**Proposed Disposal**”).

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Information relating to PT SLJ

PT SLJ is listed on the main board of the Indonesia Stock Exchange and the Group holds 766,275,582 PT SLJ Shares, which represents approximately 24.63% of the issued share capital of PT SLJ.

PT SLJ, together with its subsidiaries (the “**PT SLJ Group**”), is engaged in the forestry, industrial and mining businesses in Indonesia. The PT SLJ Group carries on, amongst other things, integrated timber manufacturing, the development and exploitation of natural forest and timber forest products and logging activities. It is also involved in natural forest management, processed plywood and medium density fiberboard businesses. PT SLJ manages 6 units of natural forest area of 840,500 hectares and operates a power plant with a total capacity of 22.5 megawatts.

2.2 Information on Mr Amir Sunarko

Mr Amir Sunarko is the brother of Mr Aris Sunarko @ Ko Tji Kim and Mr Koh Tji Beng @ Ambran Sunarko, both of whom are directors of the Company. As at the date of this announcement, Mr Amir Sunarko has a total (direct and deemed) interest in 11.65% of the issued share capital of the Company.

2.3 Rationale for the Proposed Disposal

The Proposed Disposal is in line with the Company’s plan to improve the liquidity and financial position of the Group. In particular, the Proposed Disposal will enable the Company to:

- (a) rationalise its financial and capital resources;
- (b) strengthen its balance sheet; and
- (c) divest a non-core asset which is not under its control and allow the Group to focus on its core businesses.

2.4 Value of the PT SLJ Shares

As at the date of this announcement, the open market value (based on the closing price of the PT SLJ Shares on 15 August 2016) of each PT SLJ Share is IDR103 and the one month volume weighted average price (for the period from 15 July 2016 to 15 August 2016) (the “**VWAP**”) of each PT SLJ Share is IDR94. As such, the offer price of IDR125 per PT SLJ Share represents a premium of 21% to the closing price of the PT SLJ Shares on 15 August 2016 and a premium of 33% to the VWAP.

3. TERMS OF THE PROPOSED DISPOSAL

3.1 Salient terms of the Agreement

3.1.1 Conditions precedent

The Proposed Disposal is conditional on the following:

- (a) approval by the shareholders of the Company at an extraordinary general meeting; and
- (b) obtainment of all regulatory approvals and consents required by the Company which are necessary in relation to the Proposed Disposal.

3.1.2 Consideration

The Consideration was negotiated on a willing seller and willing buyer basis, with reference to the latest available open market value of the PT SLJ Shares. The Consideration shall be wholly satisfied in cash. Within 14 business days from the date of the Agreement, Mr Amir Sunarko will pay a deposit of IDR20 billion (the “**Deposit**”) to the Company. Upon completion of the Proposed Disposal, Mr Amir Sunarko will pay the balance of the Consideration to the Company (through PT SGS) by way of a bank transfer to a bank account identified by the Company.

3.2 Proceeds and use of proceeds from the Proposed Disposal

The Company estimates that there will be net proceeds of approximately IDR96 billion from the Proposed Disposal. Based on the fair value of the PT SLJ Shares of IDR39 billion as at 30 June 2016, the Group is expected to report a gain of approximately IDR57 billion from the Proposed Disposal.

It is expected that the net proceeds will be utilised to optimise balance sheet leverage as well as to provide on-going working capital support for business growth.

Pending the deployment of the unutilised proceeds for the purposes as set out above, such proceeds may be deposited with banks and/or financial institutions, invested in short term money markets and/or marketable securities, or used for any other purposes on a short term basis, as the Directors may deem appropriate in the interests of the Group.

3.3 Expected Completion

Completion of the Proposed Disposal is expected to take place within 14 business days from the fulfilment of all the conditions precedent as set out above.

4. THE PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION

4.1 Chapter 9 of the Listing Manual

Under Rule 904(2)(b) of the Listing Manual, an “entity at risk” includes the Company and under Rule 904(a)(a) of the Listing Manual, in the case of a company, “interested person” includes a director, chief executive officer or controlling shareholder of the Company, or an associate of any such director, chief executive officer, or controlling shareholder. As Mr Amir Sunarko is the brother of Mr Aris Sunarko @ Ko Tji Kim and Mr Koh Tji Beng @ Ambran Sunarko, Mr Amir Sunarko is an associate of these directors.

Under Rule 904(5) of the Listing Manual, an “interested person transaction” means a transaction between an entity at risk and an interested person. The sale by the Company of the PT SLJ Shares to Mr Amir Sunarko is an interested person transaction within the definition in the Listing Manual.

The Consideration of approximately IDR96 billion represents approximately 66% of the Group’s latest audited net tangible assets of IDR145 billion as at 31 December 2015 (the “**2015 Group NTA**”). Disregarding transactions below \$100,000 in accordance with Rules 905(3) and 906(2) of the Listing Manual, the aggregate value of all transactions entered into between (i) the Group and (ii) Mr Amir Sunarko and/or his associates (excluding the Proposed Disposal), for the financial period ended 30 June 2016 is IDR3 billion, which is approximately 2.2% of the 2015 Group NTA. The following table shows a breakdown of these transactions for the financial period ended 30 June 2016:

| Date | Transaction detail | Entity at risk | Interested Person | Amount (IDR) |
|----------------|--------------------|-------------------------------|---------------------------------------|--------------|
| 3 January 2016 | Freight Charter | PT Panca Usaha Palopo Plywood | Mr Ambran Sunarko and Mr Aris Sunarko | 3 billion |

As such, the current total for the financial period ended 30 June 2016 of all transactions with Mr Amir Sunarko and/or his associates (excluding the Proposed Disposal) is IDR3 billion. The current total of all interested person transactions (excluding the Proposed Disposal) for the financial period ended 30 June 2016 is IDR7 billion.

4.2 Audit Committee

The audit committee of the Company (“**Audit Committee**”) is obtaining an opinion from an independent financial adviser before forming its view as to whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its shareholders. The views of the Audit Committee will be included in the circular to be circulated to shareholders of the Company.

5. THE PROPOSED DISPOSAL AS A MAJOR TRANSACTION

5.1 Relative figures under Chapter 10 of the Listing Manual

Chapter 10 of the Listing Manual governs the continuing listing obligations of listed companies in respect of acquisitions and disposals. The relative figures of the Disposal computed on the bases as set out in Rule 1006 of the Listing Manual are as follows:

| Rule 1006 | Bases | Relative figure pursuant to the Proposed Disposal |
|------------------|--|--|
| (a) | Net asset value of the assets to be disposed of, compared with the net asset value of the Group as at 30 June 2016 ⁽¹⁾ | 106% |
| (b) | Net profits attributable to the assets disposed of, compared with the Group's net profits for the six months ended 30 June 2016: | |
| | (i) Net profit (fair value gain) attributable to the assets disposed of | IDR57 billion ⁽²⁾ |
| | (ii) The Group's net loss | IDR123 billion |
| | (iii) Relative figure | Not meaningful |
| (c) | The aggregate value of the consideration received, compared with the Company's market capitalisation | |
| | (i) Consideration amount | IDR96 billion |
| | (ii) The Company's market capitalisation | IDR1,228 billion (S\$126,130,092) |
| | (iii) Relative figure | 8% |
| (d) | The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue | Not applicable |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. | Not applicable |

Notes:

- (1) Based on the fair value of the PT SLJ Shares of IDR39 billion as at 30 June 2016 and the net asset value of the Group of IDR37 billion as at 30 June 2016. The Group had reclassified its investment in PT SLJ from an investment in an associate to an available for sale asset in its unaudited financial statements for the period ended 30 June 2016, as the Group no longer has significant influence over PT SLJ's financial and operating policies. The investment is carried at fair value, determined based on the market price of the PT SLJ Shares quoted on the Indonesia Stock Exchange as of 30 June 2016.
- (2) The fair value of the PT SLJ Shares is IDR39 billion and the gain on disposal of the PT SLJ Shares is IDR57 billion.

Based on the above, the relative figure for the Proposed Disposal, computed on the base set out in Rule 1006[(a), (b) and (c)] of the Listing Manual, exceeds 20%.

5.2 Financial Effects of the Proposed Disposal

5.2.1 Assumptions

The pro forma financial effects of the Proposed Disposal on the Group are for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Disposal on the net tangible assets (“**NTA**”) per ordinary share in the share capital of the Company (“**Share**”) and earnings per Share (“**EPS**”), nor do they represent the actual financial position and/or results of the Group immediately after the Proposed Disposal.

5.2.2 Net profit or loss attributable to the asset being disposed of and amount of gain or loss on disposal

There is no net profit or loss attributable to the PT SLJ Shares as the PT SLJ Shares are classified as an available for sale investment. Taking into account the Consideration, the gain on disposal is IDR57 billion.

5.2.3 NTA

For illustrative purposes only and assuming the Proposed Disposal had been completed on 31 December 2015, the pro forma financial effects on the NTA of the Group for the financial year ended 31 December 2015 (“**FY2015**”) are as follows:

| | Before Completion of the Proposed Disposal | After Completion of the Proposed Disposal |
|------------------------|--|---|
| NTA (IDR'million) | 144,729 | 240,501 |
| NTA per share (IDR) | 103 | 172 |

5.2.4 EPS

For illustrative purposes only and assuming that the Proposed Transaction had been completed on 1 January 2015, the pro forma financial effects on the EPS for FY2015 are as follows:

| | Before Completion of the Proposed Disposal | After Completion of the Proposed Disposal |
|--|--|---|
| Net loss attributable to ordinary shareholders of the Company (IDR'million) | (477,723) | (381,951) |
| <u>Basic EPS</u> | | |
| Number of issued Shares ('000) | 1,401,445 | 1,401,445 |
| Basic EPS (IDR) | (341) | (273) |

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

No Director or controlling shareholder of the Group has any interest, direct or indirect, in the Proposed Disposal, save in respect of his/its shareholding (if any) in the Company.

7. DIRECTORS' SERVICE CONTRACTS

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

8. CIRCULAR

A circular containing, *inter alia*, the notice of the extraordinary general meeting in relation to the Proposed Disposal will be despatched to Shareholders in due course.

9. DOCUMENTS FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours at the Company's registered office for 3 months from the date of this announcement.

By Order of the Board

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
15 August 2016