

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

**UPDATE ON THE STRATEGIC COLLABORATION BETWEEN PT SEMPURNA GRAHA ABADI
AND PT BARITO WANABINAR INDONESIA**

1. Introduction

- 1.1 The board of directors (the “**Board**” or the “**Directors**”) of Samko Timber Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements dated 19 September 2019, 16 December 2019, 18 February 2020 and 12 March 2020, and the circular to shareholders of the Company dated 29 November 2019 (the “**Previous Announcements**”), in relation to the proposed transaction between PT Sempurna Graha Abadi (“**PT SGA**”), a wholly-owned subsidiary of the Group, and PT Barito Wanabinar Indonesia (“**PT BWI**”) as a major transaction (the “**Transaction**”).
- 1.2 Unless otherwise defined, capitalized terms used herein shall bear the same meaning as ascribed to them in the Previous Announcements.
- 1.3 Following the completion of the Transaction on 12 March 2020, the Group, through its subsidiary, PT SGA, has effectively acquired 51% shares interest in PT Sumber Graha Maluku (“**PT SGM**”), pursuant to which PT SGM became a 51%-owned subsidiary of PT SGA and 49%-owned subsidiary of PT BWI. While PT SGM, as the vehicle holding the Assets (as defined below) through the Operating Companies (as defined below), had before acquired certain industrial forest plantations, forest concessions, licences, plywood factories and assets located in the region of Kabupaten/Kotamadya Kepulauan Sula, Kabupaten/Kotamadya Pulau Taliabu, Kabupaten/Kotamadya Halmahera Timur, Kabupaten/Kotamadya Halmahera Barat, Kabupaten/Kotamadya Maluku Utara of North Maluku Province (the “**Assets**”) owned by PT Kirana Cakrawala, PT Kalpika Wanatama, PT Bina Mahoni Utama, PT Mangole Timber Producers (“**PT MTP**”), and PT Wiranusa Trisatya (the “**Operating Companies**”), which are now the subsidiaries of PT SGM (collectively, the “**Wholly Subsidiaries**”).
- 1.4 Pursuant to the Subscription Agreement and Shareholders’ Agreement dated 19 September 2019 together with the Supplemental Agreement dated 18 February 2020 entered into among PT SGA, PT BWI and PT SGM, PT SGM and the Wholly Subsidiaries will conduct and develop the business activities in the forestry and/or plywood industry in Indonesia through the development and management of the Assets.
- 1.5 Accordingly, in accordance with the Approved Business Plan and following the asset acquisition in PT SGM for the project in the North Maluku Province on 12 March 2020 (the “**Mangole Project**”), PT SGM and the Wholly Subsidiaries have started the construction (refurbishment) of the plywood factory buildings and infrastructures, along with the procurement of some new machineries needed for production. PT SGM and/or its Wholly Subsidiaries have acquired assets amounting to Rp94 billion during the financial year ended 31 December 2021, consisting mainly of assets for the production facilities of Rp88 billion and new machineries of Rp6 billion needed for the Mangole Project. PT SGM and the Wholly Subsidiaries expects to commence production in the last quarter of 2023 and expects that the Mangole Project will provide the Group with the opportunity to enhance its capacity in producing plywood and wood pellet coming from ample supply of log materials in that region. The Government of Indonesia has also showed its support for the Group’s expansion. In May 2021, PT MTP, a subsidiary of PT SGM, has obtained a tax-free holiday from the Government for 100% of its corporate income tax for 7 years with the requirement for PT MTP to achieve certain level of new capital investments.

- 1.6 Further, PT SGM (the “**Main Borrower**”) and its Wholly Subsidiaries (collectively, the “**Co-Borrowers**”) (the Main Borrower and Co-Borrowers hereafter collectively referred to as the “**Borrowers**”), had on 26 August 2021 entered into a facility agreement (the “**Facility Agreement**”) with PT Bank OCBC NISP Tbk (the “**Lender**”) pursuant to which the Borrowers had obtained a USD 75 Million equivalent sustainability linked credit facilities (the “**Loan Facility**”) to support the capital expenditure for the Mangole Project of USD 81.5 Million.
- 1.7 As at the date of this announcement, approximately USD12.6 million had been drawdown to support the capital expenditure for Mangole Project.

2. Background on the Mangole Project

Mangole Project is a fully integrated plywood production facility, which encompasses the forest concessions, as well as the manufacturing plant. The Mangole Project places a key emphasis on minimizing waste. Thus, waste from the plywood manufacturing process will be utilized to produce wood pellets, which is a form of biofuels made from processed wood fibre. Operations in the forest concessions will strongly abide by international standards of environmental sustainability and best practices in forest management. Manpower is to be sourced primarily from the local community, hence, providing employment opportunities and economic empowerment in the island of Mangole, as well as the surrounding vicinity in Eastern Indonesia.

The objective and goal of the Mangole Project is primarily for the expansion of the Group’s production capacity and access to the Group’s own logs supply and forestry operations. The intended plan is for the construction of factory infrastructure to be completed by end of 2022 followed by production in the last quarter of 2023. This includes the production facilities, employee accommodation, as well as the jetty for the shipment of our finished goods (plywood and wood pellet).

The project team of Mangole Project comprises of the Group’s internal manpower, led by Pak Harry Handojo, as the President Director of PT SGM and the Wholly Subsidiaries. The machineries are mainly imported, sourced from various countries with reputable companies in the industry such as Finland, Germany, Japan and Taiwan.

Since the start of the Mangole Project in October 2021, key developments are as follows:

- (a) Construction of factory infrastructure is progressing well, reaching approximately 20% completion as of March 2022;
- (b) Agreement has been signed for the installation and operations of solar panels, with a capacity of 12 megawatts;
- (c) Main machineries have been selected and purchased; currently in fabrication process by the suppliers across the globe; and
- (d) In regard to the environmental certification, audit of Social Impact Assessment (SIA) and High Conservation Value (HCV) have been completed in 2021.

3. Information on Loan Facility

3.1 Salient Terms of the Loan Facility

The principal terms of the Facility Agreement are summarised as follows:

Loan Facility	USD 75 Million equivalent sustainability linked credit facilities
Principal Amount	Term Loan Facility (“TLF”) sublimit LC/SKBDN: USD 65 Million Term Loan Facility Demand Loan Facility (“DLF”): USD 10 Million equivalent Demand Loan Facility

Purpose	<p>TLF: For financing/reimbursing part of the Borrowers' investment for capital expenditure for plantation, plywood, wood pellet, glue manufacturing facilities in North Maluku, Indonesia</p> <p>DLF: For working capital purposes of the Borrowers</p>
Availability Period	<p>TLF: Up to 31 December 2023, any amounts undrawn after the expiry of the Availability Period shall be automatically cancelled</p> <p>DLF: Upon satisfactory proof of successful commissioning of the plywood/wood pellet manufacturing facilities, and to be renewed every year</p>
Interest Rate	<p>TLF: LIBOR 3 month + 3.5% + Margin Adjustment per annum</p> <p>DLF: LIBOR 1 month + 3.25% p.a. for USD, and 9.25% per annum for IDR</p>
Security	<p>Including but not limited to:</p> <ul style="list-style-type: none"> (i) First rank of mortgagge (Hak Tanggungan) over land and buildings owned by the Borrowers; (ii) Charge (Fiducia) over machinery and equipment owned by the Borrowers; (iii) Charge (Fiducia) over the accounts receivables, inventory (including logs ready to be harvested) and insurances of the Borrowers; (iv) Assignment of offtake agreement between Samko Timber Limited and Main Borrower; and (v) Pledge over Debt Service Reserve Bank Account.

The Loan Facility is secured among others by the factory lands and buildings, machineries, and equipments of the Borrowers located in North Maluku, Indonesia, as well as inventories, receivables, and pledge over debt service bank account of the Borrowers. Furthermore, the Loan Facility is granted under Facility Agreement with terms and conditions, including covenants, undertakings, representations warranties, and event of default which are commonly applied for the transaction (Loan Facility) of the same nature.

3.2 Rationale

The Board is of the view that it is in the best interest of the Borrowers to accept the Loan Facility to, *inter alia*, utilize for (i) financing/reimbursing part of the Borrowers' investment for capital expenditure for plantation, plywood, wood pellet, glue manufacturing facilities in North Maluku, Indonesia; and (ii) working capital purposes of the Borrowers. The acceptance of the Loan Facility is aimed at supporting the capital expenditure of Mangole Project following the asset acquisition in PT SGM for the Mangole Project and operating cash flow of the Borrowers so as to provide future revenue stream and operation cash flow for the Group, expand its operations into new locations in Indonesia and seize lucrative business opportunities through its partnership with PT BWI that were previously not available to the Group.

3.3 Change of Control Provisions

Pursuant to Rule 704(31) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board wishes to announce that the Loan Facility contains the following change of control provisions:

- (a) Sampoerna Forestry Limited (“**SFL**”) at any time (whether directly or indirectly) no longer owns at least 51% equity interest of the Company;
- (b) The Company at any time (whether directly or indirectly) no longer owns at least 51% equity interest of the Borrowers;
- (c) PT SGM (the Main Borrower) at any time (whether directly or indirectly) no longer owns 100% equity interest of its subsidiaries (the Co-Borrowers); and
- (d) Mr Putera Sampoerna and his family no longer together (whether directly or indirectly) owns 100% equity interest of SFL.

Assuming the occurrence of a breach of the above change of control provisions which may cause the Lender to require the Borrowers to prepay the outstanding sums under the Loan Facility, the aggregate amount of the Loan Facility that may be affected by such a breach is up to USD 75 Million (being the principal amount under the Loan Facility) or the cumulative principal sum disbursed at that juncture and any interest capitalized and accrued till the date of occurrence of such an event.

3.4 Financial Effects

The Loan Facility is not expected to have any material effects on the Group’s consolidated earnings and net tangible assets per share for the financial year ending 31 December 2022.

3.5 Interests of Directors and Controlling Shareholders

None of the Directors and/or the controlling shareholders of the Company and their respective associates is deemed to have any interest, direct or indirect, in the Loan Facility, save for their interests by virtue of their shareholdings (if any) in the Company and the Group.

The Group will make further announcement(s) as and when there are significant updates on the development progress of the Mangole Project.

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer

1 April 2022