

CIRCULAR DATED 11 APRIL 2019

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 Annual Report 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 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

THE OVERDRAFT FACILITY RENEWAL AS AN INTERESTED PERSON TRANSACTION

Independent Financial Adviser to the Non-Abstaining Directors in relation to 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	: 24 April 2019 at 4.00 pm
Date and time of Extraordinary General Meeting	: 26 April 2019 at 4.00 pm (or immediately after the conclusion or adjournment of the annual general meeting of the Company held on the same date at 3.00 pm)
Place of Extraordinary General Meeting	: Carlton Hotel Singapore Esplanade Room 3, Level 4 76 Bras Basah Road Singapore 189558

This page has been intentionally left blank.

CONTENTS

DEFINITIONS	2
LETTER TO SHAREHOLDERS	6
1. INTRODUCTION	6
2. CHAPTER 9 OF THE LISTING MANUAL	6
3. THE OVERDRAFT FACILITY RENEWAL AS AN INTERESTED PERSON TRANSACTION	8
4. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS	11
5. OPINION OF THE IFA	12
6. AUDIT COMMITTEE STATEMENT	12
7. ABSTENTION FROM VOTING	12
8. DIRECTORS' RECOMMENDATIONS	12
9. EXTRAORDINARY GENERAL MEETING	13
10. ACTION TO BE TAKEN BY SHAREHOLDERS	13
11. CONSENT	13
12. DOCUMENTS FOR INSPECTION	13
13. DIRECTORS' RESPONSIBILITY STATEMENT	14
APPENDIX A - LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL	15
NOTICE OF EXTRAORDINARY GENERAL MEETING	29
EXTRAORDINARY GENERAL MEETING PROXY FORM	

DEFINITIONS

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

"2017 EGM"	: Extraordinary general meeting of the Company convened on 28 April 2017 pursuant to which Shareholders' approval was obtained for, <i>inter alia</i> , the 2017 Overdraft Facility Renewal Mandate
"2017 Overdraft Facility Renewal Mandate"	: The Shareholders' mandate for the renewal of the Overdraft Facility obtained at the 2017 EGM
"2018 Circular"	: Circular of the Company dated 12 April 2018 to seek Shareholders' approval for, <i>inter alia</i> , the 2018 Overdraft Facility Renewal Mandate
"2018 EGM"	: Extraordinary general meeting of the Company convened on 27 April 2018 pursuant to which Shareholders' approval was obtained for, <i>inter alia</i> , the 2018 Overdraft Facility Renewal Mandate
"2018 Overdraft Facility Renewal Mandate"	: The Shareholders' mandate for the renewal of the Overdraft Facility obtained at the 2018 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
"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
"Chief Executive Officer"	: Chief executive officer of the Company from time to time

DEFINITIONS

“Circular”	: This circular to Shareholders dated 11 April 2019
“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 voting rights in the Company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over the Company
“Director” or “Directors”	: A director or directors of the Company
“EGM”	: The extraordinary general meeting of the Company to be held on 26 April 2019, Friday at 4.00 pm (or immediately after the conclusion or adjournment of the AGM held on the same date at 3.00 pm), notice of which is set out on pages 29 to 30 of this Circular
“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
“FY2017”	: The financial year ended 31 December 2017
“FY2018”	: The financial year ended 31 December 2018
“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-Abstaining Directors in relation to the Overdraft Facility Renewal as an interested person transaction
“IFA Letter”	: The letter dated 11 April 2019 from the IFA to the Non-Abstaining Directors in relation to the Overdraft Facility Renewal as set out in Appendix A
“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

DEFINITIONS

"Listing Manual"	: The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
"Non-Abstaining Directors" ¹	: All the Directors except for Mr Michael Joseph Sampoerna and Mr Eka Dharmajanto Kasih
"Notice of EGM"	: The notice of the EGM as set out on pages 29 to 30 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
"Register of Members"	: The register of members of the Company
"Sampoerna Land Lease"	: Has the meaning ascribed to it in footnote 2 of this Circular
"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
"%" or "per cent."	: Percentage or per centum

¹ Bank Sampoerna is an Associate of Mr Michael Joseph Sampoerna and is accordingly an interested person. Bank Sampoerna is not an Associate of Mr Eka Dharmajanto Kasih and is therefore not an interested person by virtue of Mr Eka Dharmajanto Kasih's shareholding in Bank Sampoerna and PT Sampoerna Investama. Notwithstanding, Mr Eka Dharmajanto Kasih has voluntarily 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. Mr Eka Dharmajanto Kasih will also voluntarily abstain from making any recommendations on the approval of the Overdraft Facility Renewal to be tabled at the EGM. Please refer to Sections 3, and 5 to 8 of this Circular for further details.

DEFINITIONS

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, Securities and Futures Act, Listing Manual, 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, Securities and Futures Act, Listing Manual, 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

11 April 2019

To: The Shareholders of Samko Timber Limited

Dear Sir / Madam

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 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 29 to 30 of this Circular.
- 1.2. The Overdraft Facility Renewal constitutes an "interested person transaction" under Chapter 9 of the Listing Manual and is subject to the approval of the Shareholders being obtained at the EGM to be convened.
- 1.3. Shareholders should read this Circular and IFA Letter to the Non-Abstaining Directors in Appendix A carefully and consider the recommendations of the Non-Abstaining Directors in Section 8 and the opinion of the IFA in respect of the Overdraft Facility Renewal.
- 1.4. 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. CHAPTER 9 OF THE LISTING MANUAL

2.1. Background

Chapter 9 of the Listing Manual governs transactions by a listed company or any of its subsidiaries or associated companies (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.

2.2. 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 a 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;
- (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 voting rights 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 any 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.

2.3. 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, shareholders' approval would be required in respect of such transactions with interested persons if the value of the transaction is equal to or exceeds certain financial thresholds.

LETTER TO SHAREHOLDERS

In particular, 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 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 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 shareholders' approval do not apply to any transaction below S\$100,000.

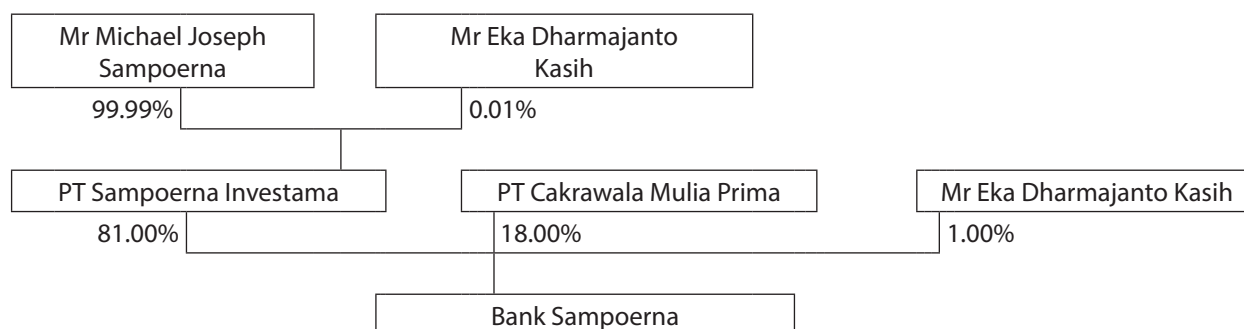
3. THE OVERDRAFT FACILITY RENEWAL AS AN INTERESTED PERSON TRANSACTION

3.1 Introduction

The Company had, at the 2018 EGM, sought and obtained the approval of Shareholders for, *inter alia*, the 2018 Overdraft Facility Renewal Mandate. Particulars of the 2018 Overdraft Facility Renewal Mandate were set out in the 2018 Circular. The Company intends to renew once again the Overdraft Facility, and is accordingly seeking the approval of Shareholders for the same.

3.2 Information on Bank Sampoerna

Bank Sampoerna is a privately-owned 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.

3.3. Details of the Overdraft Facility Renewal

3.3.1. Background

In January 2016, Bank Sampoerna made an offer to provide an unsecured overdraft facility to the Group. The Company had at the 2017 EGM and 2018 EGM, sought and obtained the approval of Shareholders for, *inter alia*, the 2017 Overdraft Facility Renewal Mandate and 2018 Overdraft Facility Renewal respectively. Following the 2018 EGM, the Group renewed the Overdraft Facility for IDR 60,000,000,000 for a total period of 12 months commencing from 28 April 2018 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 2018, the aggregate value of the interest expense and other charges on the Overdraft Facility was approximately IDR 4,612 million, which represented approximately 5.64% of the audited consolidated NTA of the Group as at 31 December 2017.

LETTER TO SHAREHOLDERS

3.3.2. 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 2019
Effective interest rate per annum	13.5% fixed rate per annum
Credit / Provision fee	0.5% per annum

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 0.5% charged by Bank Sampoerna for providing an overdraft facility for working capital purposes is not uncommon for IDR-denominated borrowing facilities 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.

3.3.3. 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 8,400 million, which represents approximately 4.15% of the latest audited consolidated NTA of the Group as at 31 December 2018 (being the latest audited consolidated NTA of the Group as at the date of this Circular). Notwithstanding that the amount at risk as referred to in Rule 909 of the Listing Manual (being the aforementioned interest and other charges to be paid pursuant to the Overdraft Facility Renewal) does not exceed 5% of the latest audited consolidated NTA of the Group as at 31 December 2018, the Company, in furtherance of Rule 906(1)(b) of the Listing Manual which provides *inter alia* that a transaction which has been approved by Shareholders, or is the subject of aggregation with another transaction that has been approved by Shareholders, need not be included in any subsequent aggregation, is seeking Shareholders' approval for the Overdraft Facility Renewal.

The Group had on 4 December 2018 renewed the Sampoerna Land Lease (please refer to footnote 2 of this Circular for further details on the same) by way of a fourth amendment agreement. The aggregate value of this transaction for the period from 1 January 2019 to 31 December 2019 is approximately IDR 5,806 million, which is approximately 7.1% of the latest audited NTA of the Group at the material time, which had been the audited NTA for FY2017 (being approximately IDR 81,754 million). Notwithstanding that the value of this transaction exceeds 5% of the Group's audited NTA for FY2017, Shareholders' approval is exempted under Rule 916(1) of the Listing Manual on the basis that: (a) the terms of the amended lease agreement is for a period not exceeding 3 years, and (b) the terms of the amended lease agreement is supported by an independent valuation report. Please refer to the Company's announcement dated 3 April 2019 (Announcement Reference: SG190403OTHR4R0G) for further details.

Disregarding transactions below S\$100,000 in accordance with Rules 905(3) and 906(2) of the Listing Manual and save for all interested person transactions as disclosed in the annual report of the Company for FY2018 and in this Circular, there are no other interested person transactions which would be subject of aggregation pursuant to Rule 906(1)(b) of the Listing Manual (excluding those governed under general mandates sought by the Company from Shareholders) as at the date of this Circular.

3.4. 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.

Delays faced by the Group in obtaining such additional financing may affect the Group's ability to fulfil orders in a timely manner and reduce cost efficiency. 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 (for example, mixed light hardwood logs, which changes with market requirements), and the Group will be able to secure raw materials in a timely and most cost effective manner, as was evident from 2016 to 2018 when the Overdraft Facility had been made available to the Group.

In addition, as at the date of this Circular, the Group has approached 6 other banks in Indonesia to provide quotes for an IDR 60,000,000,000 working capital overdraft facility. 4 of the 6 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, while the remainder 2 banks did not respond to the Group's request for quotes.

Notwithstanding the proposed renewal of the Overdraft Facility, the Company will continue to seek other alternative financing arrangements. In the event that other banks 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 facilities to be on better terms, the Company will enter into and utilise such facilities before utilising the renewed Overdraft Facility.

3.5. 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 FY2018 is approximately IDR 9,559 million, comprising (i) approximately IDR 4,947 million² to PT Sampoerna Land for office rental, and (ii) approximately IDR 4,612 million³ to Bank Sampoerna for interest expenses and other charges.

² The Group had entered into the lease ("**Sampoerna Land Lease**") for office rental from PT Sampoerna Land in January 2015 for a term of 3 years (i.e. from 2015 to 2017), which was subsequently amended and renewed for a further term not exceeding 3 years. The aggregate value of this transaction for the most recent term of the aforementioned lease for the period from 1 January 2018 to 31 December 2018 had been approximately IDR 4,947 million, which was approximately 7.9% of the latest audited NTA of the Group at the material time, which had been the audited NTA for FY2016 (being approximately IDR 62,474 million). Notwithstanding that the value of this transaction exceeds 5% of the Group's audited NTA for FY2016, shareholders' approval is exempted under Rule 916(1) of the Listing Manual on the basis that: (a) the terms of the amended lease agreement was for a period not exceeding 3 years, and (b) the terms of the lease agreement was supported by an independent valuation report. Please refer to the Company's announcements dated 12 February 2018 (Announcement Reference: SG180212OTHR0CL2) and 2 November 2018 (Announcement Reference: SG181102OTHR71PL) for further details.

³ Approximately 5.6% of the latest audited NTA of the Group as at 31 December 2017 (being the latest audited consolidated NTA of the Group as at the date the transaction had been entered into).

LETTER TO SHAREHOLDERS

4. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

- 4.1. 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:

Director and/or substantial Shareholder	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	6,986,400	0.29	-	-	6,986,400	0.29
Substantial Shareholders (other than Directors)						
Sampoerna Forestry Limited ⁽⁴⁾	1,520,673,015	63.97	-	-	1,520,673,015	63.97
First Fortuna Holdings Pte Ltd	150,597,000	6.34	-	-	150,597,000	6.34
Koh Tji Kiong @ Amir Sunarko ⁽²⁾	128,953,331	5.42	33,846,346	1.42	162,799,677	6.84
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.
- ⁽⁴⁾ The family of Mr Michael Joseph Sampoerna, holds more than 30% of the beneficial interest in Sampoerna Forestry Limited, and accordingly Sampoerna Forestry Limited is an associate of Mr Michael Joseph Sampoerna within the meaning of the Listing Manual. Mr Michael Joseph Sampoerna does not own any interests in Sampoerna Forestry Limited.

- 4.2. 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 Overdraft Facility Renewal other than through their respective shareholdings in the Company.

LETTER TO SHAREHOLDERS

5. OPINION OF THE IFA

- 5.1.** SAC Capital Private Limited, in accordance with Chapter 9 of the Listing Manual, has been appointed as the independent financial adviser to the Non-Abstaining Directors in respect of the Overdraft Facility Renewal.
- 5.2.** Taking into consideration the factors set out in the IFA Letter, subject to the assumptions and qualifications 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 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-Abstaining Directors in respect of the Overdraft Facility Renewal to recommend the Shareholders to vote in favour of the Overdraft Facility Renewal.
- 5.3.** A copy of the IFA Letter dated 11 April 2019 in relation to the above is set out and appended as Appendix A. Shareholders are advised to read the IFA Letter in its entirety.

6. AUDIT COMMITTEE STATEMENT

The Audit Committee has considered, *inter alia*, the terms, rationale for and 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.

7. ABSTENTION FROM VOTING

- 7.1.** 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.
- 7.2.** Mr Michael Joseph Sampoerna is not a Shareholder, and is therefore unable to vote in respect of Shareholders' resolution tabled at the EGM. In light of the relationship set out in Section 3.2, Mr Michael Joseph Sampoerna has undertaken to procure that all of his Associates, including Sampoerna Forestry Limited, 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(s) on the manner in which they wish their votes to be cast for the ordinary resolution in respect of the Overdraft Facility Renewal.
- 7.3.** Mr Eka Dharmajanto Kasih is not a Shareholder, and is therefore unable to vote in respect of Shareholders' resolution tabled at the EGM. 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 has nevertheless voluntarily 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.
- 7.4.** There are no family relationships between Mr Michael Joseph Sampoerna and Mr Eka Dharmajanto Kasih.

8. DIRECTORS' RECOMMENDATIONS

- 8.1.** Mr Michael Joseph Sampoerna shall abstain from making any recommendations on the approval of the Overdraft Facility Renewal to be tabled at the EGM. He 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.

LETTER TO SHAREHOLDERS

- 8.2.** 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 making any recommendations on the approval of the Overdraft Facility Renewal to be tabled at the EGM. He 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.
- 8.3.** Having considered the rationale for and benefit of the Overdraft Facility Renewal as well as the IFA Letter, the Non-Abstaining Directors are of the opinion that the Overdraft Facility Renewal is in the interests of the Company and the Shareholders. Accordingly, the Non-Abstaining Directors recommend that Shareholders vote in favour of the ordinary resolution relating thereto to be proposed at the EGM.

9. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 29 to 30 of this Circular, will be held at Carlton Hotel Singapore, Esplanade Room 3, Level 4, 76 Bras Basah Road, Singapore 189558 on Friday, 26 April 2019 at 4.00 pm (or immediately after the conclusion or adjournment of the AGM held on the same date at 3.00 pm) for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution set out in the Notice of EGM on pages 29 to 30 of this Circular.

10. 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.

11. CONSENT

SAC Capital Private Limited, the IFA to the Non-Abstaining Directors in respect of 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 A, 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.

12. 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 FY2018;
- (c) the IFA Letter set out in Appendix A; and
- (d) the letter of consent referred to in Section 11.

LETTER TO SHAREHOLDERS

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the 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 – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

SAC CAPITAL PRIVATE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200401542N)

1 Robinson Road
#21-00 AIA Tower
Singapore 048542

11 April 2019

To: The Non-Abstaining Directors of Samko Timber Limited in relation to the Overdraft Facility Renewal

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

THE OVERDRAFT FACILITY RENEWAL AS AN INTERESTED PERSON TRANSACTION

Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 11 April 2019 (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 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 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 Company and its subsidiaries (collectively, the “**Group**”) and Bank Sampoerna constitute interested person transactions.

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 2018, the audited NTA of the Group was approximately IDR 202,418 million. For the purposes of the Listing Manual, 5% of the latest audited NTA of the Group as at 31 December 2018 would be approximately IDR 10,121 million.

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 8,400 million, which represents approximately 4.15% of the latest audited consolidated NTA of the Group as at 31 December 2018 (being the latest audited consolidated NTA of the Group as at the date of the Circular). As set out in section 3.3.3 of the Circular, notwithstanding that the amount at risk as referred to in Rule 909 of the Listing Manual (being the aforementioned interest and other charges to be paid pursuant to the Overdraft Facility Renewal) does not exceed 5% of the latest audited consolidated NTA of the Group as at 31 December 2018, the Company, in furtherance of Rule 906(1)(b) of the Listing Manual which provides *inter alia* that a transaction which has been approved by Shareholders, or is the subject of aggregation with another transaction that has been approved by Shareholders, need not be included in any subsequent aggregation, is seeking Shareholders’ approval for the Overdraft Facility Renewal.

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO 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-abstaining for the purposes of the Overdraft Facility Renewal (collectively, the “**Non-Abstaining Directors**”) to provide an opinion on whether 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 Rule 921(4)(a) of the Listing Manual and addressed to the Non-Abstaining Directors in connection with and for the purposes of their consideration of the Overdraft Facility Renewal and their recommendation(s) to the minority Shareholders arising thereof.

2. TERMS OF REFERENCE

We have been appointed as the IFA to the Non-Abstaining Directors in respect of the Overdraft Facility Renewal.

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 Overdraft Facility Renewal. Accordingly, we do not, by this letter, warrant the merits of the Overdraft Facility Renewal other than to express an opinion on whether the Overdraft Facility Renewal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

We have not evaluated, and have not been requested to comment on, the strategic, legal, commercial or financial merits and/or risks of the Overdraft Facility Renewal, or the prospects or earnings potential of the Company or the Group 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.

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 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 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 4 April 2019 (the “**Latest Practicable Date**”).

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

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 Overdraft Facility Renewal and other related corporate actions.

Our opinion in relation to 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).

3. INFORMATION ON THE INTERESTED PERSON

Information on Bank Sampoerna

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

As set out in section 3.2 of the Circular, as at the date of the Circular, Mr 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.

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

4. OVERVIEW OF THE OVERDRAFT FACILITY RENEWAL

4.1 Introduction

In January 2016, Bank Sampoerna made an offer to provide an unsecured overdraft facility to the Group. The Company had at the 2017 EGM and 2018 EGM (as defined in the Circular), sought and obtained the approval of Shareholders for, *inter alia*, the 2017 Overdraft Facility Renewal Mandate and 2018 Overdraft Facility Renewal (as defined in the Circular) respectively. Following the 2018 EGM, the Group renewed the Overdraft Facility for IDR 60,000,000,000 for a total period of 12 months commencing from 28 April 2018 at a fixed interest rate of 13.50% per annum, for working capital purposes. Based on the audited consolidated financial statements of the Group as at 31 December 2018, the aggregate value of the interest expense and other charges on the Overdraft Facility was approximately IDR 4,612 million, which represented approximately 5.64% of the audited consolidated NTA of the Group 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 be approximately IDR 8,400 million, which represents approximately 4.15% of the latest audited consolidated NTA of the Group as at 31 December 2018 (being the latest audited consolidated NTA of the Group as at the date of this Circular).

4.2 Details of the Overdraft Facility Renewal

As the Overdraft Facility granted by Bank Sampoerna is maturing in April 2019, 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 2019
Effective interest rate per annum	: 13.50% fixed rate per annum
Credit / Provision fee	: 0.5% per annum
Borrower	: PT Sumber Graha Sejahtera (" PT SGS "), a wholly-owned subsidiary of the Company

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. We note that as set out in section 3.3.2 of the Circular, the provision fee of 0.5% charged by Bank Sampoerna for providing an overdraft facility for working capital purposes is not uncommon for IDR-denominated borrowing facilities 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.

Further details of the Overdraft Facility, including the rationale for and benefit of, are set out in section 3.3 of the Circular, and Shareholders are advised to read the information carefully.

5. 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.

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

5.1 Rationale for and benefit of the Overdraft Facility Renewal

It is not within our terms of reference to comment or express an opinion on the merits of the Overdraft Facility Renewal or the future prospects of the Group after the completion of the Overdraft Facility Renewal. Nonetheless, we have reviewed the rationale for and benefit of the Overdraft Facility Renewal as set out in section 3.4 of the Circular, which is reproduced in italics 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.

Delays faced by the Group in obtaining such additional financing may affect the Group's ability to fulfil orders in a timely manner and reduce cost efficiency. 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 (for example, mixed light hardwood logs, which changes with market requirements), and the Group will be able to secure raw materials in a timely and most cost effective manner, as was evident from 2016 to 2018 when the Overdraft Facility had been made available to the Group.

In addition, as at the date of this Circular, the Group has approached 6 other banks in Indonesia to provide quotes for an IDR 60,000,000,000 working capital overdraft facility. 4 of the 6 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, while the remainder 2 banks did not respond to the Group's request for quotes.

Notwithstanding the proposed renewal of the Overdraft Facility, the Company will continue to seek other alternative financing arrangements. In the event that other banks 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 facilities to be on better terms, the Company will enter into and utilise such facilities before utilising the renewed Overdraft Facility.”

5.2 Historical Financial Performance and Position of the Group

The salient historical financial information of the Group for the financial years ended 31 December 2016, 2017 and 2018 (“FY2016”, “FY2017” and “FY2018” respectively), is set out below:

Consolidated Income Statement (IDR' million)	Audited		
	FY2016	FY2017	FY2018
Revenue	3,116,088	3,462,562	4,353,759
Gross profit	260,357	556,666	772,891
Profit / (loss) before taxation	(333,823)	(28,939)	111,579
Net profit / (loss) attributable to owners of the Company	(403,364)	30,092	65,486

Consolidated Balance Sheets (IDR' million)	Audited		
	As at 31 December		
	2016	2017	2018
Current assets	849,088	936,094	1,365,793
Current liabilities	950,976	1,154,286	1,488,434
Working capital	(101,888)	(218,192)	(122,641)
Non-current assets	717,663	740,149	713,421
Non-current liabilities	546,545	435,386	384,680
Total loans and borrowings	831,532	828,184	1,176,496
Equity attributable to owners of the Company	62,474	81,754	202,418

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

Consolidated Cash Flows Statement (IDR' million)	----- Audited ----- As at 31 December		
	2016	2017	2018
Net cash flows (used in) / generated from operating activities	(176,494)	100,143	(147,720)
Net cash flows (used in) / generated from investing activities	79,193	(36,356)	(30,752)
Net cash flows generated from / (used in) financing activities	59,301	(102,245)	147,490
Net decrease in cash and cash equivalents	(38,000)	(38,458)	(30,982)
Cash and cash equivalents at end of financial year	52,656	20,499	3,620

Source: Annual reports of the Company for FY2017 and FY2018

We note that:

- (a) **Revenue.** 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.

The Group's revenue increased by 25.7% from IDR 3,462.6 billion in FY2017 to IDR 4,353.8 billion in FY2018 mainly due to the increase in sales volume for both domestic and export markets by approximately 5.0% and 34.0% respectively, while the total average selling prices increased by approximately 9.0%.

- (b) **Gross profit.** The Group's gross profit increased from IDR 260.4 billion in FY2016 to IDR 556.7 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.

Gross profit increased from IDR 556.7 billion in FY2017 to IDR 772.9 billion in FY2018, with an improvement of gross profit margin of the Group from 16.1% in FY2017 to 17.8% in FY2018. This was mainly due to a shift in product mix with higher sales contribution from the export business as export sales generally has a higher margin.

Net profit / (loss). 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, (ii) decrease in freight costs and interest expenses, offset by the decrease in other income mainly due to the absence of an one-off gain on disposal of investment in PT SLJ Global Tbk in FY2016, and (iii) the Group having recognised the prior years' deferred tax assets amounted to IDR 59.3 billion in FY2017 based on Management's estimates that the Group will be able to utilise the tax losses carried forward for the coming years. The Group had in FY2016 impaired prepaid taxes and deferred tax assets amounting to IDR 36.4 billion and IDR 27.2 billion, respectively, as a result of the Group's re-organisation exercise.

In FY2018, the Group recorded net profit attributable to owners of the Company of IDR 65.5 billion as compared to the net profit attributable to owners of the Company of IDR 30.1 billion in FY2017. The increase was mainly attributable to (i) higher sales volume and better overall pricing achieved as explained in (a) and (b) above, (ii) the gain on sale of land and building of IDR 30.0 billion, and (iii) the absence of an one-off expense for the Group's re-organisation exercise in FY2017, partially offset by the increase in general and administrative expenses and other expenses. The increase in general and administrative expenses in FY2018 was mainly due to increase in staff incentive, pension costs, professional fees, travelling expenses, and grant of equity-settled share options to executives, and the increase in other expenses were derived mainly from higher net foreign exchange losses of IDR 19.3 billion and allowance for doubtful receivables amounting to IDR 19.1 billion in FY2018. The net foreign exchange losses incurred in FY2018 was mainly due to unrealised foreign exchange loss from translation of the Group's US Dollar denominated loans.

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

- (c) **Working capital.** The Group recorded negative working capital of IDR 101.9 billion, IDR 218.2 billion and IDR 122.6 billion as at 31 December 2016, 31 December 2017 and 31 December 2018 respectively. The improvement of working capital in FY2018 was due to higher operating income and better working capital management, which was mainly attributable to (i) higher inventory levels as a result of higher production volume and higher sales; (ii) increase in trade receivables, in-line with the increase in sales; (iii) larger advances to suppliers for logs, veneers and spare parts; (iv) higher prepaid operating expenses; (v) decrease in advances from customers; (vi) decrease in provision for post-employment benefits; and (vii) decrease in other liabilities, offset by (i) an increase in trade and other payables as a result of the increase in production and business activities, and (ii) increase in loans and borrowings.
- (d) **Equity attributable to owners of the Company.** Equity attributable to owners of the Company had increased from IDR 62.5 billion as at 31 December 2016 to IDR 81.8 billion as at 31 December 2017. As at 31 December 2018, equity attributable to owners of the Company increased to IDR 202.4 billion; and
- (e) **Operating cash flows.** The Group recorded negative operating cash flows of IDR 176.5 billion and IDR 147.7 billion for FY2016 and FY2018 respectively, and recorded positive operating cash flow of IDR 100.1 billion for FY2017. The Group's operating cash flow before changes in working capital for FY2018 was significantly higher than that of FY2017, being attributable to improved operating margin due to higher sales recorded. Cash outflow from operating activities in FY2018 was due mainly to higher cash used to reinvest in the production of goods and purchase of materials.

We note the following commentary by the Chairman of the Company as set out in the Company's annual report for FY2018, an extract of the Chairman's statement as set out below:

"Overall, Indonesia's economy is predicted to grow modestly by 5.3% in 2019 as stated in the 2019 State Budget. The Indonesian government will continue to rely on domestic investment and household spending as well as spending on infrastructure projects to drive the country's economy. Consequently, domestic sales volume is expected to grow due to our increased penetration to capture a bigger market share underpinned by Indonesian economic growth.

We expect export sales to continue to be strong with North Asia, the USA and Malaysia as the top three export markets for the Group. We continue to see healthy demand from North Asia, such as China and Japan. In 2018, Indonesia has overtaken Malaysia in selling more plywood to Japan, the key export market for both countries.

As the Group steps up production volume to meet increasing demand, we may face the risk of higher log prices. During the year, the Group has taken steps to lower production costs by increasing the productivity and efficiency of our plywood manufacturing process. These ongoing exercises will help sustain the profitability of our business in the long run."

Further details on the Chairman's statement are set out in the Company's annual report for FY2018, and shareholders are advised to read the information carefully.

5.3 **Reasonableness of the Key Terms of the Overdraft Facility Renewal**

5.3.1 **Comparison against the Group's existing borrowings**

We note that the interest rate under the Overdraft Facility Renewal is at a fixed rate of 13.50% per annum, with an additional 0.5% 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**").

Shareholders should note that the following analysis is solely for illustrative purposes as the general market conditions at the time of grant of each of the Bank Loans would have been different from the prevailing market conditions, and the terms offered for each Bank Loan would have been dependent on various considerations and assessment by the relevant lender at the time of granting the loans. Such considerations would include, but are not limited to, the lender's capital structure, cost of funds, supply of funds, risk management parameters, assessment of the general market conditions and interest rate environment, the financial position and performance of the borrower, and the composition and quality of the borrower's security and guarantee (if any).

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

Average daily outstanding loan balance							Collateral
Facility size (IDR' billion) ⁽¹⁾	Interest rate (p.a.)	Interest amount for FY2018 (IDR' billion) ⁽¹⁾	Effective Interest rate for FY2018 (p.a.) ⁽²⁾	Provision fee			
Loan 1 ⁽³⁾ (USD) (secured)	209.6	105.5	4.25 - 4.75% + 1 month LIBOR ⁽⁴⁾	7.3	6.67%	Loans 1, 2, 3 and 4 are secured by land use rights, buildings, machinery, inventories, account receivables and bank balances of a subsidiary. All other assets of the subsidiaries are on negative pledge to the financial institution and some restriction on dividend payment is imposed.	
	143.7	56.9	4.25 - 4.75% + 1 month LIBOR	3.9	6.67%		
	362.0 ⁽⁶⁾	69.5	3.00 - 3.50% + COF ⁽⁷⁾	4.1	5.84%		
	144.8	29.3	3.50 - 4.25% + 1 month LIBOR	1.8	6.15%		
Loan 2 ⁽⁸⁾ (USD) (secured)	289.6	253.0	4.00% - 5.38%	12.3	4.76%	Nil	
Loan 3 ⁽³⁾ (IDR) (secured)	147.3	75.8	0.5 - 1.0% + SBDK ⁽⁹⁾	8.5	11.03%	2% ⁽⁵⁾	
	62.0	31.9	0.5 - 1.0% + SBDK	3.6	11.03%	2% ⁽⁵⁾	
	140.0 ⁽⁶⁾	46.0	0.5 - 1.0% + SBDK	5.2	11.22%	0.75%	
	219.6	177.6	0.5 - 1.0% + SBDK	19.9	11.07%	1%	
Loan 4 (IDR) (secured)	58.0	32.5	0.5% + SBDK	3.5	10.63%	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.							
All Bank Loans							
High							
Weighted mean ⁽¹⁰⁾							
Low							
11.22%							
7.89%							
4.76%							
IDR-denominated Bank Loans							
High							
Weighted mean ⁽¹⁰⁾							
Low							
11.22%							
10.99%							
10.00%							

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

	Facility size (IDR' billion) ⁽¹⁾	Average daily outstanding loan balance (IDR' billion) ⁽¹⁾	Interest rate (p.a.)	Interest amount for FY2018 (IDR' billion) ⁽¹⁾	Effective Interest rate for FY2018 (p.a.) ⁽²⁾	Provision fee	Collateral
Overdraft Facility (unsecured)	60.0	30.7	13.50% (fixed)	4.2	13.50%	1%	Nil
Overdraft Facility Renewal (unsecured)	60.0	-	13.50% (fixed)	-	13.50%	0.5%	Nil

Source: Provided by the Company

Notes:

- (1) Based on the exchange rate of US\$1:IDR 14,481 as at 31 December 2018.
- (2) The effective interest rate was computed by dividing the interest expense for the full year ended 31 December 2018 by the average daily outstanding balance of each loan (as provided by the Company, over a period of 365 days from 1 January 2018 to 31 December 2018 inclusive), adjusted to follow the 360-day convention.
- (3) In 2018, pursuant to negotiations of the terms of these loans by the Company with one of its lenders, Loan 1's interest rates were revised from 4.75% to 4.25% above 1 month LIBOR, 4.25% to 3.50% above 1 month LIBOR and 3.50% to 3.00% above COF respectively and Loan 3's interest rate was revised from 1.0% to 0.5% above SBDK. The new interest rates took effect after November 2018.
- (4) Refers to London Interbank Offered Rate.
- (5) An upfront provision fee of 2% was charged on each of these term loans upon entry in FY2014.
- (6) Additional facilities extended to PT SGS from PT OCBC NISP Tbk ("OCBC NISP") as announced on 14 August 2018.
- (7) Refers to cost of funds for the bank.
- (8) Relates to a multi-currency specific advance facility, where interest rate per annum is agreed at each withdrawal of advance.
- (9) Refers to Suku Bunga Dasar Kredit ("SBDK"), which is the prime lending rate for banks. Please refer to section 5.3.2 of this letter for a discussion on SBDK.
- (10) Weighted based on the respective average outstanding balances of the Bank Loans.

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

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 4.76% and 11.22% of the Bank Loans for FY2018; and
- (b) higher than the weighted mean interest rate of the Bank Loans of 7.89% for FY2018.

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 11.22% of the IDR Bank Loans for FY2018; and
- (b) higher than the weighted mean interest rate of 10.99% of the IDR Bank Loans for FY2018.

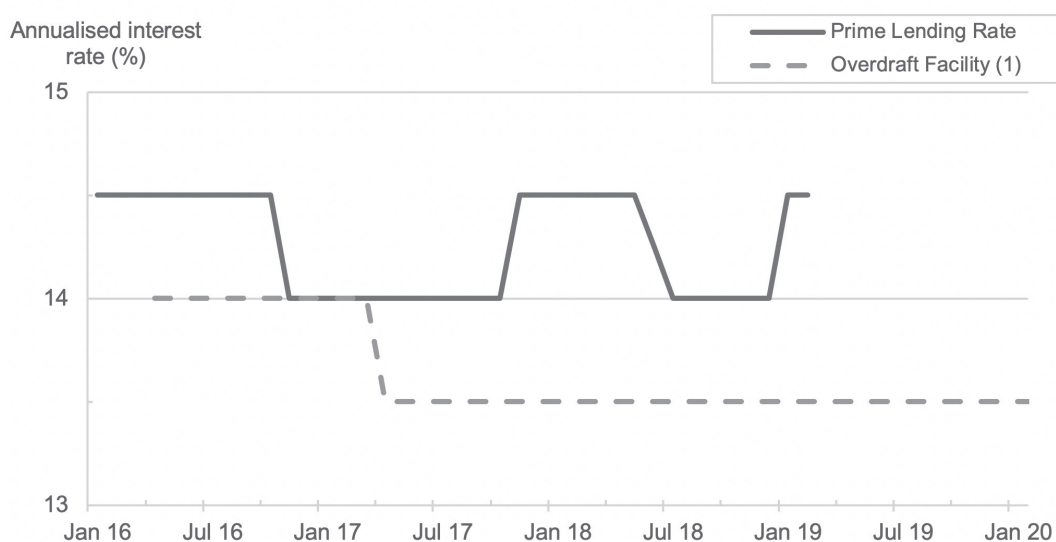
Based on the above, we note that the loan facilities that are provided in Indonesian Rupiah generally carry higher interest rates than USD-denominated facilities.

We note that each of the Bank Loans had required some form of collateral from the Group. By comparison, the Overdraft Facility Renewal had not required any form of collateral from the Group and is accordingly, unsecured. 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.

5.3.2 Comparison with Bank Sampoerna’s SBDK

Commercial banks that conduct conventional business activities in Indonesia are required to report and publish their prime lending rates or SBDK for IDR-denominated loans. Such prime lending rates do not include the risk premium component which depends on the bank’s assessment of the individual customer or customer group. We note that SBDK is bank-specific; it is the result of the calculation of the three components, namely: (1) cost of funds for loans, (2) overhead costs incurred in the lending process, and (3) profit margin targeted for lending activities.

We compare the published prime lending rates of Bank Sampoerna for IDR-denominated loans to the interest rate of the Overdraft Facility in the graph below:



Source: SBDK page on Bank Sampoerna’s website, and the website of the Otoritas Jasa Keuangan (the “**OJK**”), the Indonesia Financial Services Authority.

Note:

- (1) Actual interest rate charged on the Overdraft Facility from April 2016 to April 2019; proposed interest rate of the Overdraft Facility Renewal from April 2019 to April 2020.

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

We note that the interest rate payable under the Overdraft Facility Renewal of 13.50% per annum is below Bank Sampoerna's published prime lending rate of 14.50% per annum for loans to corporations as at 28 February 2019, which is the latest available published rate as at the Latest Practicable Date.

In addition, we also note that over the period of January 2016 to February 2019, the interest rate payable under the Overdraft Facility had reduced from 14.00% in FY2016 (when the Overdraft Facility was first entered into by the Group) to 13.50% under the Overdraft Facility Renewal, notwithstanding that Bank Sampoerna's published prime lending rates over the corresponding period had returned to 14.50% in January 2019, the same level it was in January 2016.

5.3.3 Provision fee

We note that a provision fee of 0.5% (or IDR 0.3 billion) will be charged by Bank Sampoerna for providing the Overdraft Facility Renewal, which was a reduction from 1% (or IDR 0.6 billion) charged by Bank Sampoerna in FY2018. We also note that the provision fee of 0.5% is below the range of provision fees charged on the IDR Bank Loans of the Group of between 0.75% and 2.00%.

We provide an illustration of the effects of the reduction in provision fee on the interest and other charges to be paid pursuant to the Overdraft Facility Renewal below.

		Maximum value at risk (assuming 100% utilisation)	
	Provision fee	IDR'million	Year-on-Year ▲%
FY2018	1.0%	8,700	-
FY2019	0.5%	8,400	(3.45)

Notwithstanding that the Overdraft Facility Renewal would be provided at the same fixed interest rate of 13.50% per annum, the reduction in the provision fee of 0.5% would result in the estimated finance expense payable to Bank Sampoerna under the Overdraft Facility (assuming 100% utilisation) to be reduced from IDR 8.7 billion in FY2018 to IDR 8.4 billion in FY2019.

5.3.4 Estimated total finance expense

We understand from the Company that one of the lenders to the Group had agreed to reduce the margins on the loans above their respective benchmarks, following the request for reduction in the interest rates by the Company, citing the Group's improvement in its business performance as reflected in the Group's financial statements for the period ended 30 September 2018. Please refer to footnote 3 of the table under paragraph 5.3.1 of this letter for further details.

We also understand from the Company that it had, in its negotiation with Bank Sampoerna on the terms of the Overdraft Facility Renewal, requested for a revision of the interest rate and the provision fee. In its response to the Company, Bank Sampoerna had only agreed for the provision fee to be reduced from 1% in FY2018 to 0.5% for the Overdraft Facility Renewal.

Notwithstanding that the interest rate on the Overdraft Facility Renewal is unchanged at 13.50% per annum, we note that since the 0.5% provision fee is charged on the entire facility size, and not on the amount drawn down, a reduction of 0.5% in the provision fee would be tantamount to a larger decrease in the estimated total finance expense payable to Bank Sampoerna under the Overdraft Facility vis-à-vis a similar reduction in the interest rate, given that the Overdraft Facility is a demand loan with a historical average utilisation rate of 51.6% (FY2018: 51.2%; FY2017: 52.0%).

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

For illustration purposes only, we have compared the effects of the estimated total finance expenses payable to Bank Sampoerna under the Overdraft Facility under 3 different scenarios:

- (a) Base Scenario – Where the Overdraft Facility offered are on the same terms as the Overdraft Facility entered into in FY2018, at 13.50% fixed interest rate and 1.0% provision fee;
- (b) Scenario A – Where the Overdraft Facility offered are on the proposed terms as the Overdraft Facility Renewal, at 13.50% fixed interest rate and 0.5% provision fee; and
- (c) Scenario B – Where the Overdraft Facility offered are on the hypothetical terms at 13.00% fixed interest rate and 1.0% provision fee.

Scenario	Utilisation rate	Interest rate	Provision fee	Estimated total finance expense ⁽¹⁾ (IDR'million)	▲% from Base Scenario
Base	51.6%	13.50%	1.0%	4,779	-
(A)	51.6%	13.50%	0.5%	4,479	(6.28)
(B)	51.6%	13.00%	1.0%	4,624	(3.24)

Note:

(1) Calculated as

$$\begin{aligned} & \text{Estimated total finance expense} \\ & = (\text{utilisation rate} \times \text{facility size} \times \text{interest rate}) \\ & + (\text{provision fee \%} \times \text{facility size}) \end{aligned}$$

Assuming a historical average utilisation rate of 51.6% on the Overdraft Facility, we note that the proposed terms in scenario A (being a reduction of 0.5% in the provision fee to the Base scenario) would result in a greater reduction in estimated total finance expense payable to Bank Sampoerna, as compared to the hypothetical terms in scenario B (being a reduction of 0.5% in the fixed interest rate to the Base scenario).

5.4 Other Relevant Considerations

5.4.1 Recent additional loan facilities extended to the Group

We note that the Company had on 14 August 2018 announced that additional secured facilities have been extended to PT SGS from OCBC NISP (the “**Additional Facilities**”). The Additional Facilities consist of a US\$ revolving loan facility amounting to an aggregate of US\$ 25 million (the “**US\$ D Facility**”), and an IDR revolving loan facility amounting to an aggregate of IDR 140 billion (the “**IDR D Facility**”). The amounts borrowed under the US\$ D Facility are to be used exclusively for PT SGS’s working capital requirements while the IDR D Facility is to be used for the procurement of non-material and/or indirect raw materials and provided that, in the case of the IDR D Facility, the relevant proceeds of such IDR D Facility loans shall be remitted into an IDR-denominated collection account.

The Directors have confirmed that notwithstanding the increased committed loan facilities available to the Company pursuant to the Additional Facilities, they are of the view that the Overdraft Facility Renewal is required for its working capital purposes as set out in section 3.4 of the Circular.

5.4.2 No alternative source of funding

As stated in section 3.4 of the Circular, the Group has approached 6 other banks in Indonesia to provide quotes for an IDR 60,000,000,000 working capital overdraft facility. 4 of the 6 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, while the remainder 2 banks did not respond to the Group’s request for quotes.

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 alternative offers of capital injections in the Company from other parties.

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

5.4.3 Guidelines and review procedures for the Overdraft Facility Renewal

We note that the Audit Committee of the Company will conduct a quarterly review of the Overdraft Facility Renewal to ensure that the interest payments made are in accordance with the terms of the Overdraft Facility Renewal, and shall also review any future variation or amendment to the terms of the Overdraft Facility Renewal, and where appropriate, subject such variation or amendment to Shareholders' approval prior to any further drawdown on the Overdraft Facility.

In addition, as set out in section 3.4 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.

5.4.4 Abstention from voting at the EGM

We note that as set out in section 7.2 of the Circular, Mr Michael Sampoerna, despite not being a Shareholder and is hence unable to vote in respect of Shareholders' resolution tabled at the EGM, has undertaken to procure that all of his Associates, including Sampoerna Forestry Limited, 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(s) on the manner in which they wish their votes to be cast for the ordinary resolution in respect of the Overdraft Facility Renewal.

Mr Eka Dharmajanto Kasih ("**Mr Eka Kasih**") is not a Shareholder, and is therefore unable to vote in respect of Shareholders' resolution tabled at the EGM. Notwithstanding that Bank Sampoerna is an interested person by virtue of Mr Michael Sampoerna's shareholding in PT Sampoerna Investama and not Mr Eka Kasih's shareholding in Bank Sampoerna and PT Sampoerna Investama, Mr Eka Kasih has nevertheless voluntarily 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.

6. OUR OPINION

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 5.1 of this letter;
- (b) the historical financial performance and position of the Group, as detailed in paragraph 5.2 of this letter;
- (c) the reasonableness of the key terms of the Overdraft Facility Renewal, as detailed in paragraph 5.3 of this letter; and
- (d) other relevant considerations, as detailed in paragraph 5.4 of this letter, as follows:
 - (i) the recent additional loan facilities extended to the Group;
 - (ii) the absence of alternative source of funding;
 - (iii) the guidelines and review procedures for the Overdraft Facility Renewal; and
 - (iv) the abstentions from voting by Mr Michael Sampoerna and Mr Eka Kasih.

APPENDIX A – LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE NON-ABSTAINING DIRECTORS IN RELATION TO THE OVERDRAFT FACILITY RENEWAL

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-Abstaining 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 Rule 921(4)(a) of the Listing Manual as well as addressed to the Non-Abstaining Directors in connection with and for the purposes of their consideration of the Overdraft Facility Renewal. The recommendation(s) to be made by the Non-Abstaining Directors to the Shareholders shall remain the sole responsibility of the Non-Abstaining Directors.

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 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

Tan Kian Tiong
Manager

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 Friday, 26 April 2019, at 4.00 pm (or immediately after the conclusion or adjournment of the annual general meeting of the Company held on the same date at 3.00 pm) at Carlton Hotel Singapore, Esplanade Room 3, Level 4, 76 Bras Basah Road, Singapore 189558, for the purpose of considering and, if thought fit, passing with or without amendment, the ordinary resolution 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 11 April 2019 (the “**Circular**”) in relation to the Overdraft Facility Renewal.*

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, 11 April 2019

Notes:

- (1) For further details, please refer to the Circular to the Shareholders dated 11 April 2019.
- (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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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.

This page has been intentionally left blank.

This page has been intentionally left blank.

Samko Timber Limited

(Incorporated in the Republic of Singapore)

(Company Registration No. 200517815M)

Important:

1. A relevant intermediary may appoint more than two (2) proxies to attend the Extraordinary General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who hold shares under Central Provident Fund Investment Scheme ("CPF Investors") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable), this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS Investors should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

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

I/We* _____ NRIC / Passport/ Company Registration 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 Friday, 26 April 2019, at 4.00 pm (or immediately after the conclusion or adjournment of the annual general meeting of the Company held on the same date at 3.00 pm) at Carlton Hotel Singapore, Esplanade Room 3, Level 4, 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 resolution 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 Overdraft Facility Renewal		

*Delete where applicable

Dated this _____ day of _____ 2019

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

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

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



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 11 April 2019.
 - (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.