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

THE PROPOSED DISPOSAL OF THE ISSUED AND PAID-UP SHARE CAPITAL OF:-

(A) PT SUMBER GRAHA SEJAHTERA;

(B) SAMKO TRADING PTE. LTD.; AND

(C) SAMKO FORESTRY PTE. LTD.,

TOGETHER WITH THEIR RESPECTIVE SUBSIDIARIES, AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL AND A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL

---

1. INTRODUCTION

1.1 The board of directors (the "**Board**" or "**Directors**") of Samko Timber Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company had, on 2 October 2024, entered into a sale and purchase agreement (the "**SPA**") with Sampoerna Forestry Limited (the "**Purchaser**"), pursuant to which the Company shall dispose of the issued and paid-up shares in the capital of the Company's subsidiaries (the "**Sale Shares**") as follows (the "**Proposed Disposal**"):

(a) 17,253,487 ordinary shares ("**PTSGS Sale Shares**") constituting 98.44% of the issued and paid-up share capital of PT Sumber Graha Sejahtera ("**PTSGS**");

(b) 3,860,000 ordinary shares constituting the entire issued and paid-up share capital of Samko Trading Pte. Ltd. ("**STPL**"); and

(c) 100,000 ordinary shares constituting the entire issued and paid-up share capital of Samko Forestry Pte. Ltd. ("**SFPL**" and together with "**STPL**", the "**SG Sale Subsidiaries**").

1.2 The Proposed Disposal constitutes a "major transaction" under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Listing Manual**"). Please refer to paragraph 6 of this announcement for further details. In addition, the Proposed Disposal also constitutes an interested person transaction under Chapter 9 of the Listing Manual for the reasons set out in paragraph 3 of this announcement.

1.3 Accordingly, the Company will be seeking the approval of its independent Shareholders for the Proposed Disposal as a major transaction under Chapter 10 of the Listing Manual as well as an interested person transaction under Chapter 9 of the Listing Manual, at an extraordinary general meeting (the "**EGM**") to be convened. A circular setting out, *inter alia*, further details of the Proposed Disposal, together with a Notice of the EGM, (the "**Circular**") will be despatched to shareholders of the Company (the "**Shareholders**") in due course.

1.4 The Group is a vertically integrated wood resource processor which is supported by 31,900 hectares of planted industrial forest plantation in Maluku, and operates five (5) timber processing plants, seven (7) satellite veneer plants and a chemical glue facility across Java, Sumatra and Sulawesi with an aggregate annual production capacity of 910,000m^3 as at the date of this announcement.

1.5 The Group produces and trades in various sizes and grades of processed wood products which comprise principally of processed wood products such as primary plywood, laminated veneer lumber, piano parts, processed plywood and wood pellets (biomass). Its products also include several types and grades of chemical glues primarily used in the manufacture of its processed wood products.

1.6 The principal activities of the Company are investment holding and general wholesale trade. Upon the completion of the Proposed Disposal (the "**Completion**"), PTSGS, STPL, SFPL and their respective subsidiaries (the "**Disposal Group**") will cease to be subsidiaries of the Company and the Group will cease to operate the vertically integrated processed wood products business.

1.7 Following the completion of the Proposed Disposal and subject to Shareholders' approval for the proposed adoption of a general mandate for interested person transactions being obtained, the details of which will be announced by the Company in due course, the Company and its subsidiaries following the completion of the Proposed Disposal, namely Bioforest Pte. Ltd. and PT Bioforest Indonesia (collectively, the "**Post-Disposal Group**") will be appointed by the Disposal Group as the exclusive distributor of primary plywood, laminated veneer lumber, piano parts and processed plywood produced by the Disposal Group to end-users/purchasers in Singapore for use in Singapore ("**Exclusive Distributorship**").

2. INFORMATION ON THE DISPOSAL GROUP

2.1 Information on PTSGS and its subsidiaries

PTSGS was incorporated on 25 June 2001 in Indonesia as a limited liability company and as at the date of this announcement, PTSGS has an issued and paid-up share capital of Rp2,007,129,009,500, comprising 17,529,511 ordinary shares.

PTSGS is 98.44% directly owned by the Company and together with its subsidiaries, it is principally engaged in the business of the production and wholesale of primary plywood, laminated veneer lumber, piano parts, processed plywood and wood pellets (biomass).

2.2 STPL and its subsidiaries

STPL was incorporated on 12 November 2009 in Singapore as a private company limited by shares and as at the date of this announcement, STPL has an issued and paid-up share capital of S$3,032,954 comprising 3,860,000 ordinary shares.

STPL is a wholly-owned subsidiary of the Company and together with its subsidiaries, it is principally engaged in the business of the wholesale of primary plywood, laminated veneer lumber, piano parts, processed plywood and wood pellets (biomass).

2.3 SFPL

SFPL was incorporated on 21 August 2019 in Singapore as a private company limited by shares and as at the date of this announcement, SFPL has an issued and paid-up share capital of S$72,249 comprising 100,000 ordinary shares.

SFPL is an investment holding company which is wholly-owned by the Company.

2.4 Financial Information on the Sale Shares

The net asset value and net tangible assets of the Disposal Group attributable to the owners of the company amounted to approximately negative Rp509,279 million (equivalent to approximately negative S$41,936,649) and negative Rp1,347,905 million (equivalent to approximately negative S$110,993,495) as at 31 December 2023 and 30 June 2024 respectively; and (ii) the net loss of the Disposal Group attributable to the owners of the company amounted to approximately Rp744,040 million (equivalent to approximately

S$61,268,133) and approximately Rp812,486 million (equivalent to approximately S$66,904,350) for FY2023 and the half year ended 30 June 2024 ("**1H2024**") respectively.

The open market value of the Sale Shares is not available as the shares of the Sale Subsidiaries are not publicly traded.

The estimated net proceeds from the Proposed Disposal (after deducting estimated expenses to be incurred in connection therewith of approximately S$700,000) is approximately S$4,300,000 ("**Net Proceeds**"). The Net Proceeds represent an excess of S$115,291,292 vis-à-vis the book value of the Disposal Group as at 30 June 2024. Accordingly, the Proposed Disposal will result in a gain on disposal of approximately S$47,943,579 for 1H2024 assuming the Proposed Disposal was completed as at 1 January 2024. Please refer to paragraph 9 below for further information on the intended use of the Net Proceeds.

2.5 Independent Valuation of the Disposal Group

The Company has commissioned Navi Corporate Advisory Pte Ltd ("**NAVI**") and KJPP Dasa'at Yudistira dan Rekan ("**KJPP**" together with NAVI, "**Independent Valuers**") as Independent Valuers, to conduct independent equity valuations on the Disposal Group ("**Equity Valuation**"). The Company has also commissioned KJPP as independent valuer, to conduct an independent asset valuation on certain assets of the Disposal Group ("**Asset Valuation**"). The finalised valuation reports for the Equity Valuation and Asset Valuation will be issued by the Independent Valuers and the valuation summary letters for the Equity Valuation and Asset Valuation will be issued by the Independent Valuers and included in the Circular.

Based on the preliminary Equity Valuation conducted by NAVI on the Disposal Group, the market value of 100% of equity interest of the Disposal Group as at 30 June 2024, subject to the assumptions stated therein, is between Rp7,320 million and Rp58,630 million. The valuation was conducted on a market value basis in accordance with the International Valuation Standards (2022) using the income approach with market approach as a cross check.

Based on the preliminary Equity Valuation conducted by KJPP on the Disposal Group, the market value of 100% of equity interest of the Disposal Group as at 30 June 2024, subject to the assumptions stated therein, is Rp56,900 million. The valuation was conducted on market value basis by applying the cost approach using the summation method and the income-based approach using the discounted cash flow method in accordance with the Indonesian Valuation Code of Ethics and the Indonesian Valuation Standards ("**SPI**") VII Edition of 2018, as well as the revised SPI 330 Edition of 2020, which are based on the International Valuation Standards issued by the International Valuation Standards Council.

Based on the preliminary Asset Valuation conducted by KJPP on certain assets of the Disposal Group, the asset valuation of certain assets of the Disposal Group as at 30 June 2024 is Rp4,817,568 million The valuation was conducted on a market value basis using the market approach, income approach and cost approach in accordance with the Indonesian Valuation Code of Ethics and the SPI VII Edition of 2018, as well as the revised SPI 300 and 310 Edition of 2020, which are based on the International Valuation Standards (IVS) issued by the International Valuation Standards Council.

None of the Directors, the Controlling Shareholders or their respective Associates have any interests, direct or indirect in NAVI and KJPP.

3. INFORMATION ON THE PURCHASER

The Purchaser, Sampoerna Forestry Limited, a controlling Shareholder of the Company, was incorporated in the British Virgin Islands on 27 June 2002 and is principally engaged in the business of investment holding. As at the date of this announcement, the sole shareholder of the Purchaser is Twinwood International Holdings Limited ("**Twinwood International**") which holds 100% of the issued capital of the Purchaser. Eka Dharmajanto Kasih, the Non-

Independent and Non-Executive Chairman of the Company, is the sole director of the Purchaser. As at the date of this announcement, the Purchaser holds 5,872,194,930 Shares, representing approximately 67.91% of the issued and paid-up share capital of the Company.

Twinwood International was incorporated in Seychelles on 1 February 2008 under the International Business Companies Act 1994 of Seychelles and is principally engaged in the business of investment holding. As at the date of this announcement, the sole shareholder of Twinwood International is Twinwood Operations Limited ("**Twinwood Operations**") which holds 100% of the issued share capital of Twinwood International. The directors of Twinwood International are Eka Dharmajanto Kasih, Chye Chia Chow and Chia Teo Huat.

Twinwood Operations was incorporated in the British Virgin Islands on 5 April 2005 under the International Business Companies Act of the British Virgin Islands and is principally engaged in the business of investment holding. As at the date of this announcement, 100% of the issued share capital of Twinwood Operations is held by Grand Nominees, a company incorporated in the British Virgin Islands on 9 September 2010 for the purpose of acting as nominee shareholder for the Sampoerna group. The directors of Twinwood Operations are Pik Bambang Sulistyo and Hendra Prasetya.

Putera Sampoerna, who is the father of Michael Joseph Sampoerna, a Non-Independent and Non-Executive Director of the Company, is the ultimate beneficial shareholder of the Purchaser pursuant to a declaration of trust dated 25 August 2014 by Grand Nominees in favour of Putera Sampoerna.

As the Purchaser is a controlling Shareholder of the Company, the Purchaser is an "interested person" under Chapter 9 of the Listing Manual. The Proposed Disposal will therefore constitute an "interested person transaction" under Chapter 9 of the Listing Manual.

4. PRINCIPAL TERMS OF THE SPA

4.1 Sale Shares

Subject to the terms and conditions of the SPA, the Company shall sell as legal and beneficial owner of the Sale Shares, and the Purchaser shall purchase the Sale Shares, free from any claim, charge, mortgage, lien, option, equity, power of sale, hypothecation, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing and together with all rights, entitlements and advantages attaching thereto as at the Completion Date (as defined below).

4.2 Consideration

The aggregate consideration for the Sale Shares shall be S$5,000,000 (the "**Consideration**") in cash which shall be satisfied by the Purchaser on Completion Date.

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

(a) the preliminary Equity Valuation of the Disposal Group as arrived at by KJPP;

(b) the preliminary Equity Valuation of the Disposal Group as arrived at by NAVI; and

(c) the financial performance and position of the Disposal Group for 1H2024 where the Disposal Group recorded a net loss of approximately Rp812,486 million and deficit in equity attributable to Shareholders of the Company amounting to Rp1,347,905 million as at 30 June 2024.

All payments to be made under the SPA shall be made by way of telegraphic transfer in immediately available funds to the Company's bank account, details of which shall be provided by the Company to the Purchaser.

The Consideration payable by the Purchaser to the Company pursuant to the SPA or any matters under the SPA shall exclude any tax which may from time to time be imposed or charged by any government, quasi-government, statutory or tax authority on or calculated by reference to the amount of the Consideration due from the Purchaser to the Company under the SPA, or any part thereof.

4.3 Conditions Precedent

Completion of the sale and purchase of the Sale Shares is conditional upon the following condition(s) ("**Conditions Precedent**") having been fulfilled or waived in writing:-

(a) approval of the Shareholders in general meeting for the sale of the Sale Shares;

(b) approval of the shareholder(s) of the Purchaser in a general meeting (or the equivalent corporate approval) for the acquisition of the Sale Shares;

(c) in the case of the PTSGS Sale Shares:

(i) approval of the shareholder(s) of PTSGS in a general meeting (or the equivalent corporate approval) for the sale of the PTSGS Sale Shares; and

(ii) announcement in a daily newspaper in Indonesia of the transfer of the PTSGS Sale Shares;

(d) PTSGS having received such consent(s) from PT Bank OCBC NISP Tbk, PT Bank Mandiri (Pesero) Tbk and PT Bank UOB Indonesia Tbk agreeing to the change of shareholder of PTSGS pursuant to the transfer of the PTSGS Sale Shares by the Company to the Purchaser;

(e) PT Sumber Graha Maluku, PT Mangole Timber Producers, PT Kalpika Wanatama, PT Kirana Cakrawala, PT. Wiranusa Trisatrya and PT Bina Mahoni Utama (collectively, the "**PTSGM Companies**") having received such consent(s) from PT Bank OCBC NISP Tbk agreeing to the Company ceasing to be an indirect shareholder of each of the PTSGM Companies pursuant to the transfer of the Sale Shares by the Company to the Purchaser;

(f) the Company's warranties being true, correct and being complied with, in each case, in all material respects as at the Completion Date; and

(g) the Purchaser's warranties being true, correct and being complied with, in each case, in all material respects as at the Completion Date.

The Purchaser alone shall have the right to waive the conditions set out in sub-paragraph (f) above. The Company alone shall have the right to waive the conditions set out in sub-paragraph (g) above.

Unless specifically waived by the party to the SPA entitled to waive the conditions, if any of the Conditions Precedent are not fulfilled on or before 31 March 2025 or such other date as the Company and the Purchaser may agree in writing pursuant to the SPA ("**Long Stop Date**"), the SPA (save for Clauses 11, 12, 13, and 14 of the SPA) shall *ipso facto* cease and determine, and neither party to the SPA shall have any claim against the others for costs, damages, compensation or otherwise, save for any claim by the non-defaulting party against the defaulting party arising from any antecedent breach of the terms in the SPA.

4.4 Completion

Subject to the Conditions Precedent being satisfied or waived, completion of the SPA shall take place on the date falling seven (7) business days from the date on which all the Conditions Precedent are fulfilled and/or waived or deferred by the Company and/or the

Purchaser in accordance with the terms in the SPA, but in any event no later than the Long Stop Date, or such other date as the Company and the Purchaser may agree in writing (the "**Completion Date**") at:

(a) 80 Raffles Place, UOB Plaza 1, #33-00 Singapore 048624, in the case of the SG Sale Subsidiaries; and

(b) Sampoerna Strategic Square, North Tower, 30th floor, Jalan Jendral Sudirman Kav 45, South Jakarta, Indonesia, in the case of PTSGS,

or at such other place(s) and time as the Company and the Purchaser may mutually agree in writing.

4.5 Employment and Management

The Company shall use reasonable endeavours to retain the services of the employees of the Sale Subsidiaries to the intent that their respective contracts of employment shall continue after Completion Date. The Company shall not pending the Completion Date dismiss any of these employees except with the Purchaser's consent (which shall not be withheld in the case of misconduct) or with cause in accordance with the relevant Sale Subsidiary's existing employment policies.

Upon completion of the SPA, the Purchaser shall maintain the employment of all the employees and management personnel of the Sale Subsidiaries as of the date of the SPA, unless:-

(a) such employment is terminated by the said employee(s) and/or management personnel on their own accord or in accordance with the relevant Sale Subsidiary's existing employment policies; or

(b) such employment is terminated with cause by the relevant Sale Subsidiary in accordance with the relevant Sale Subsidiary's existing employment policies.

4.6 Simultaneous Completion

The Company shall not be bound to transfer any Sale Shares, and the Purchaser shall not be bound to purchase any Sale Shares, unless the sale and purchase of all (and not some only) of the Sale Shares is completed at the same time.

5. PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION

5.1 As set out in paragraph 3 of this announcement, as the Purchaser is a controlling Shareholder of the Company, the Purchaser is an "interested person" under Chapter 9 of the Listing Manual. The Proposed Disposal will therefore constitute an "interested person transaction" under Chapter 9 of the Listing Manual.

5.2 Pursuant to Rule 906(3) of the Listing Manual, if the Group's latest audited net tangible assets is negative, the issuer should consult the SGX-ST on the appropriate benchmark to calculate the relevant threshold in Rule 906(1), which may be based on its market capitalisation. Based on the Group's latest audited consolidated financial statements for FY2023, the NTL of the Group as at 31 December 2023 was approximately Rp611,062 million (equivalent to approximately S$50,318,017). In addition, the Proposed Disposal constitutes approximately 16.6% of the Company's market capitalisation of S$25,939,224, based on the issued ordinary share capital of the Company of 8,646,408,068 ordinary shares at the volume weighted average price of the Shares of S$0.003 transacted on 1 October 2024, which is the last day on which the Shares were traded preceding the date of the SPA. Notwithstanding the foregoing, the Company will be seeking Shareholders' approval for the Proposed Disposal as an interested person transaction in accordance with Rule 906(1)(a) of the Listing Manual.

5.3 Save for the Proposed Disposal, there are no interested person transactions entered into by the Group with the Purchaser for the current financial year beginning 1 January 2024 and up to the date of this announcement.

5.4 Disregarding transactions below S$100,000 and transactions previously approved by Shareholders, the total value of all interested person transactions entered into by the Group with the Purchaser's associates for the current financial year beginning 1 January 2024 and up to the date of this announcement is approximately Rp3,665 million (equivalent to approximately S$301,795) with PT Sampoerna Land which comprised approximately 1% of the audited NTA for the financial year ended 31 December 2021, being the audited consolidated NTA of the Group as at the date of the relevant agreement(s) for which such expenses were incurred, for office rental.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Based on the latest unaudited interim financial statements for 30 June 2024, the relative figures in respect of the Proposed Disposal, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

Rule 1006	Bases	Relative figures
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets. (Rp1,347,905 million / Rp1,356,536 million)	99.4%(1)
Rule 1006(b)	The net losses(2) attributable to the assets acquired or disposed of, compared with the Group's net losses. (Rp793,490 million / Rp530,838 million)	149.5%
Rule 1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares. (Rp52,219 million / Rp315,012 million)	16.6%(3)
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not Applicable

Notes:

(1) Under Rule 1002(3)(a) of the Listing Manual, "net assets" means total assets less total liabilities attributable to the owners of the company.

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

(3) Based on the Consideration and the Company's market capitalisation of approximately S$26 million, being the issued ordinary share capital of the Company of 8,646,408,068 ordinary shares at the volume weighted

average price of the Shares of S$0.003 transacted on 1 October 2024, which is the last day on which the Shares were traded preceding the date of the SPA.

Since the relative figures calculated on the basis pursuant to Rules 1006(a) and 1006(b) exceed 20%, the Proposed Disposal constitutes a major transaction under Chapter 10 of the Listing Manual. Accordingly, the approval of independent Shareholders is required in respect of the Proposed Disposal.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The *pro forma* financial effects of the Proposed Disposal on the Group as set out below are **for illustrative purposes only** and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Disposal.

The *pro forma* financial effects of the Proposed Disposal set out below have been prepared based on (i) the Group's audited consolidated financial statements for FY2023; and (ii) the Group's unaudited consolidated financial statements for 1H2024, and on the following bases and assumptions:-

(a) the expenses to be incurred in connection with the Proposed Disposal are estimated to be approximately S$700,000;

(b) the financial effects on the consolidated NTL per Share are computed based on the assumption that the Proposed Disposal was completed on 31 December 2023 and 30 June 2024, respectively;

(c) the financial effects on the consolidated LPS is computed based on the assumption that the Proposed Disposal was completed on 1 January 2023 and 1 January 2024, respectively; and

(d) the financial effects on the gearing of the Group is computed based on the assumption that the Proposed Disposal was completed on 31 December 2023 and 30 June 2024, respectively.

7.1 Share Capital

The Proposed Disposal will not have any effect on the issued and paid-up share capital of the Company.

7.2 (NTL) / NTA

	(NTL) / NTA (Rp'million)		**No. of Shares**		**(NTL) / NTA per Share (Rp)**	
	As of 31 December 2023	**As of 30 June 2024**	**As of 31 December 2023**	**As of 30 June 2024**	**As of 31 December 2023**	**As of 30 June 2024**
Before the Proposed Disposal	(980,754)	(1,356,536)	2,408,171,095	8,646,408,068	(407)	(157)
After the Proposed Disposal	(352,605)	120,249	2,408,171,095	8,646,408,068	(146)	14

7.3 (LPS) / EPS

	Profit / (loss) attributable to the Shareholders (Rp'million)		Weighted average number of Shares		(LPS) / EPS (Rp)	
	For FY2023	**For 1H2024**	**For FY2023**	**For 1H2024**	**For FY2023**	**For 1H2024**
Before the Proposed Disposal	(752,543)	(549,834)	2,408,171,095	8,543,011,875	(312)	(64)
After the Proposed Disposal	(1,137,500)	(126,774)	2,408,171,095	8,543,011,875	(472)	(15)

7.4 Gearing

	Total debts (Rp'million)		Equity attributable to the owners of the company (Rp'million)		Gearing ratio (times)	
	For FY2023	**For 1H2024**	**For FY2023**	**For 1H2024**	**For FY2023**	**For 1H2024**
Before the Proposed Disposal	3,093,619	3,225,322	(980,754)	(1,356,536)	Not meaningful	Not meaningful
After the Proposed Disposal	-	-	(352,605)	120,249	Not meaningful	Not meaningful

8. RATIONALE FOR THE PROPOSED DISPOSAL

The Group has been recording net losses since the financial year ended 31 December 2020 ("**FY2020**"). Due to the outbreak of the COVID-19 pandemic in FY2020 which adversely affected the Group's domestic and export market, the Group recorded a net loss of Rp37 billion in FY2020 as compared to a net profit of Rp6 billion in the financial year ended 31 December 2019.

Although the Group managed to temporarily stem its losses as it recorded a net loss of Rp4 billion in the financial year ended 31 December 2021 ("**FY2021**"), market recovery was impeded by a series of factors and the global supply chain was severely strained, thus, affecting the passage of goods to customers in the financial year ended 31 December 2022 ("**FY2022**"). Furthermore, the drastic rise in inflation dented consumer purchasing power and demand. The Group recorded a net loss of Rp253 billion in FY2022. As at 31 December 2022, the Group's current liabilities exceeded its current assets by Rp311,154 million, of which the Group has short-term bank loans amounting to Rp1,435,813 million, which were due within twelve months from 31 December 2022. The Group also had a deficit in equity attributable to owners of the Company amounting to Rp188,177 million as at 31 December 2022. These conditions cast a significant doubt on the ability of the Group to continue in operational existence for the foreseeable future and to discharge its liabilities in the normal course of business.

PTSGS has since FY2022 breached certain financial covenant ratios requirement as set out in the loan agreements with some of its lenders and has had to obtain waivers therefor on a yearly basis.

In relation to the Group's responses to the SGX-ST's queries regarding the Group's results announcement for the half year ended 30 June 2023 ("**1H2023**"), the Board disclosed the pro-active actions which management plans to take to ensure that the Company's financial position remains strong and provided its assessment on the Company's ability (i) to continue as a going concern; (ii) to meet its debt covenants (if any); and (iii) to meet its short-term obligations when they fall due.

Notwithstanding the pro-active actions taken by management and the Board, the Group recorded a net loss of Rp702 billion in FY2023 due to lower sales and gross loss incurred and conditions of material uncertainty remain. The Group announced on 11 April 2024 that whether the Group is able to continue as a going concern is highly dependent on the Group's and Company's ability to receive continuing financial support from the Purchaser, as its Controlling Shareholder and continued availability of adequate banking facilities for drawdown from its lenders.

To improve the Group's financial position and provide additional working capital to the Group to meet its obligations, the Company adopted a general mandate for the Proposed Disposal of the Balaraja Factory ("**Balaraja Factory Disposal Mandate**"), which was approved by Shareholders at an extraordinary general meeting held on 26 April 2024, for a period of 12 months. The Group had on 30 September 2024 announced that it had entered into a conditional sale and purchase agreement for the disposal of the Balaraja Factory, exclusive of the two-storey dormitory of 343m^2 which sits on a land area of 253m^2, pursuant to the Balaraja Factory Disposal Mandate.

The Company had also sought and obtained the approval of Shareholders for the renewal of the overdraft facility extended by Bank Sampoerna to the Group at an extraordinary general meeting held on 27 April 2024.

The Group's performance continued to decline. As announced in the results for 1H2024, the Group reported a net loss of Rp599 billion in 1H2024 as compared to a net loss of Rp232 billion in 1H2023. The Group's overall performance in 1H2024 was significantly affected mainly by lower sales volume, lower average selling price and change in product mix. The lower sales volumes and lower average selling prices are a result of lower demand in the markets that the Group sells to due to global economic slowdown. The Group also had a deficit in equity attributable to Shareholders of the Company amounting to Rp1,035,624 million as at 30 June 2024. Despite the rights issue, shareholder's loans and implementation of cost-cutting and cost control measures, the Group's financial position remains weak. Further, management believes that the Group's financial performance for the remainder of FY2024 will remain challenging and expects sales and pricing to remain low as demand for the Group's products continues to be depressed.

In considering the future plans and strategic options for the Group, including future financing options for the Group, management had highlighted to the Board that banks may not continue providing financial support to the Group. The Group will also not be able to continue relying on financial support from shareholders by way of capital injection or any further rights issue, given that the Company will lose its public float if there is any further increase in the Purchaser's shareholding percentage. It would also not be sustainable for the Purchaser, as its Controlling Shareholder, to continue to offer financial support to the Company through further loans.

The Proposed Disposal is being carried out as part of the Group's efforts to divest its loss-making businesses contributing negatively to the bottom line of the Group. As the production and manufacturing business of the Disposal Group is capital-intensive and relies heavily on bank borrowings, the Proposed Disposal will relieve the Company of its liabilities. Pursuant to the Exclusive Distributorship, the Post-Disposal Group will exclusively distribute timber products for the Disposal Group, which business is less capital-intensive and requires substantially lesser bank borrowings to operate. In addition, the Post-Disposal Group's revenue and earnings will be less susceptible to fluctuations. It is therefore in the interests of the Company to complete the Proposed Disposals as soon as possible to stem its losses and relieve its liabilities. By disposing the Sale Subsidiaries, it creates an opportune and appropriate time for the Company to consider other potential new operating businesses with good growth potential.

9. USE OF PROCEEDS

The Net Proceeds from the Proposed Disposal shall be utilised for (a) general working capital purposes; and (b) a proposed cash distribution in connection with a proposed capital reduction to be announced by the Company in due course.

Pending deployment of the Net Proceeds, such proceeds may be placed as deposits with banks and/or other financial institutions, invested in short-term money markets or debt instruments or for any other purpose on a short-term basis as the Directors may, in their absolute discretion, deem fit from time to time.

10. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED DISPOSAL

As at the date of this announcement, the interests of the Directors in the Shares, as extracted from the Register of Directors' Shareholdings of the Company and the interests of Substantial Shareholder(s), as extracted from the Register of Substantial Shareholders' Shareholdings of the Company, are as follows:-

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%(1)	Number of Shares	%(1)	Number of Shares	%(1)
Directors						
Eka Dharmajanto Kasih	-	-	-	-	-	-
Riko Setyabudhy Handoko	150,900,364	1.75	-	-	150,900,364	1.75
Michael Joseph Sampoerna	-	-	-	-	-	-
Meriana Ang	-	-	-	-	-	-
Ito Sumardi	-	-	-	-	-	-
Hadi Daryanto	-	-	-	-	-	-
Timotius	-	-	-	-	-	-
Substantial Shareholders						
Sampoerna Forestry Limited	-	-	5,872,194,930(2)	67.91(2)	5,872,194,930(2)	67.91(2)
Lin, Zhenlong	-	-	1,210,497,130(3)	14.00(3)	1,210,497,130(3)	14.00(3)

Notes:-

(1) Based on the total issued share capital of the Company as at the date of this announcement of 8,646,408,068 Shares.

(2) Sampoerna Forestry Limited is deemed to be interested in the 5,872,194,930 ordinary shares held through and registered in the name its custodian, Raffles Nominees (Pte.) Limited.

(3) Lin, Zhenlong is deemed to be interested in the 1,210,497,130 ordinary shares held through and registered in the name his custodian, UOB Kay Hian Pte. Ltd.

Save as disclosed in paragraphs 3 and 5 of this announcement, as at the date of this announcement, none of the Directors, controlling Shareholders or Substantial Shareholders or their Associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company.

9 NO SERVICE CONTRACTS

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

10 APPOINTMENT OF FINANCIAL ADVISER

Industrial and Commercial Bank of China Limited, Singapore Branch, has been appointed as the financial adviser to the Company in respect of the Proposed Disposal.

11 APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

11.1 Rule 921(4)(a) of the Listing Manual provides that, where shareholders' approval is required for an interested person transaction, the circular must include an opinion from an independent financial adviser as to whether such transaction is on normal commercial terms and if it is prejudicial to the interests of the issuer and its minority shareholders.

11.2 Evolve Capital Advisory Private Limited has been appointed as the independent financial adviser ("**IFA**") to advise the Directors who are considered independent for the purposes of making recommendations to the independent Shareholders in respect of the Proposed Disposal as an interested person transaction.

12 AUDIT COMMITTEE STATEMENT

The members of the Audit Committee do not have any interests in the Proposed Disposal and are accordingly deemed to be independent for the purposes of the Proposed Disposal.

The Audit Committee will be obtaining an opinion from the IFA before forming its view on whether the Proposed Disposal as an interested person transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

13 DIRECTORS' RESPONSIBILITY STATEMENT

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

14 DOCUMENTS FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company during normal business hours from the date of this announcement up to and including the date of the EGM.

15 CAUTIONARY STATEMENT

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of the Conditions Precedent set out above and accordingly, should exercise caution when trading in the Shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

The Company will make the necessary announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Proposed Disposal, the SPA and other matters contemplated in this announcement.

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
2 October 2024