

ASSET ACQUISITIONS AND DISPOSALS::PROPOSED JOINT VENTURE BETWEEN PT SGA, A SUBSIDIARY OF THE COMPANY, AND PT BWI AS MAJOR TRANSACTION

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Submitted By (Co./ Ind. Name)

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Designation

Executive Director and Chief Executive Officer

Description (Please provide a detailed description of the event in the box below)

Please refer to the attachment.

Attachments

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SAMKO TIMBER LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200517815M)

THE PROPOSED TRANSACTION BETWEEN PT SGA (AS DEFINED HEREIN), A SUBSIDIARY OF THE COMPANY, AND PT BWI (AS DEFINED HEREIN) AS A MAJOR TRANSACTION

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 PT Sumber Graha Sejahtera (**"PT SGS"**), a wholly-owned subsidiary of the Company, has on 16 September 2019 entered into a share subscription agreement (the **"Subscription Agreement"**) with PT Barito Wanabinar Indonesia (**"PT BWI"**) as the original shareholder of PT Sumber Graha Maluku (**"PT SGM"**), and PT SGM. Pursuant to the Subscription Agreement, PT SGS has nominated PT Sempurna Graha Abadi (**"PT SGA"**), a subsidiary of the Company, to subscribe for 400,834 series A shares (the **"Subscription Shares"**) in the capital of PT SGM (the **"Subscription"**), representing fifty-one per cent (51%) of the total issued and paid-up share capital of PT SGM.
- 1.2. In connection with the Subscription, PT SGA has also on 16 September 2019 entered into a shareholders' agreement with PT BWI and PT SGM, to regulate the respective rights and obligations of PT SGA and PT BWI *inter se*, as shareholders of PT SGM, as well as the affairs of PT SGM (the **"Shareholders Agreement"** and collectively with the Subscription Agreement, the **"Transaction Agreements"**) for the conduction and development of business activities in the forestry and/or plywood industry in Indonesia (**"Business"**) through PT SGM (the **"Proposed Transaction"**).
- 1.3. Pursuant to the Subscription Agreement, the Subscription Agreement shall take effect on the date on which approval from shareholders of the Company (**"Shareholders"**) has been obtained in respect of the transactions contemplated thereunder. In the event Shareholders' approval is not obtained by the Company by 30 December 2019 (or such other date as agreed by the parties thereto in writing), the Subscription Agreement shall become null and void. The Shareholders Agreement shall take effect on the Completion Date (as defined below) of the Subscription Agreement.
- 1.4. As the relative figures in respect of the Proposed Transaction computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**) (the **"Listing Manual"**) exceeds twenty per cent (20%), the Proposed Transaction constitutes a major transaction under Chapter 10 of the Listing Manual. Further details of the relative figures are set out in paragraph 7 of this announcement. Accordingly, the Proposed Transaction is subject to the approval of the Shareholders.

2. INFORMATION ON PT BWI AND PT SGM

PT BWI is a company incorporated in the Republic of Indonesia and a subsidiary of PT Barito Pacific Tbk, a public company listed on the Indonesia Stock Exchange. PT Barito Pacific Tbk carries on power generation and petrochemical production activities as its core businesses, and also, directly or through its subsidiaries, carries on other business activities in the fields of forestry, plantation, mining, industry, property, trade, renewable energy and transportation.

PT SGM is a company incorporated in the Republic of Indonesia on 11 March 2019 and is currently wholly-owned by PT BWI with an issued and paid-up share capital of IDR 2,500,000,000. PT SGM has not commenced any business since its incorporation.

Pursuant to the Transaction Agreements, PT SGM will be the vehicle holding the Assets (as defined below) through the Operating Companies (as defined below).

3. INFORMATION ON THE PROPOSED TRANSACTION

- 3.1. Pursuant to the Subscription Agreement, PT BWI shall undertake an internal restructuring exercise in respect of the Assets (as defined below) such that on or prior to the completion of the Subscription by PT SGA (“**Completion**”) or prior to 30 October 2020 (“**CS Long Stop Date**”) in respect of one Operating Company, PT SGM will acquire certain industrial forest plantations, forest concessions, licences, plywood factories and assets (the “**Assets**”) to be owned by operating companies which are to become subsidiaries of PT SGM (the “**Operating Company(ies)**”), namely, PT Kirana Cakrawala, PT Kalpika Wanatama, PT Mangole Timber Producers, PT Bina Mahoni Utama, and PT Wiranusa Trisatrya.
- 3.2. The Assets includes, *inter alia*, industrial forest plantations, plywood factories, forestry concession rights of approximately 59,138 hectares in Maluku Utara Regency in Maluku Province, Indonesia, and industrial business licences to engage in primary timber forest product activities such as timber sawing and production of plywood products. Approximately 35,000 hectares of the forestry concession area has been planted with sengon, red samama, white samama and other species of timber wood.
- 3.3. The Business shall be conducted, and the Assets shall be developed and managed, by PT SGM under the direction of the board of directors of PT SGM, the composition of which is set out further in paragraph 5.3 of this announcement. On Completion, PT SGM will become a subsidiary of PT SGA.
- 3.4. Pursuant to the Shareholders Agreement, the Company and/or its affiliates will be appointed as the sole distributor and/or agent of PT SGM to distribute and sell its products domestically or overseas.

4. SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

4.1. Amount of investment by PT SGS for the Subscription Shares

Under the Subscription Agreement, the total subscription amount by PT SGS in PT SGM, by way of subscription of the Subscription Shares by PT SGA, as nominee of PT SGS, is up to the amount of US\$20,681,852 (approximately IDR 294,612,990,000⁽¹⁾) (the “**Subscription Amount**”), which was arrived at based on a preliminary estimation of the total investment outlay required for the Proposed Transaction and the estimated value of non-cash capital contribution towards PT SGM to be made by PT BWI in the form of the Assets.

4.2. Completion conditions

Completion is conditional upon the satisfaction or waiver of, *inter alia*, the following conditions prior to or as at the Completion Date (the “**Completion Conditions**”):

- (i) delivery by PT BWI to PT SGS of a copy of the circular resolution in lieu of a general meeting of shareholders of PT SGM approving, amongst others, the issuance of the Subscription Shares;
- (ii) delivery by PT BWI to PT SGS of an exclusive agreement to grant PT SGM the exclusive right to utilise, exploit, sell, replant and have all economic interest in the Assets held by an Operating Company for the duration from the Completion Date until the earlier of the date of the transfer of the shares in respect of such Operating Company to PT SGM or the CS Long Stop Date;
- (iii) delivery by PT BWI to PT SGS of statement letters issued by PT BWI confirming (a) the

¹ Based on an illustrative exchange rate of US\$1 : IDR 14,245. The illustrative exchange rate is solely for illustrative purposes and should not be construed as a presentation that the relevant amounts have been or could be converted at this rate or at any other rate.

settlement of any inter-company debts, and (b) a list of any unsettled debts;

- (iv) delivery by PT BWI to PT SGS of such cover note from the relevant notary/land deed official (*pejabat pembuat akta tanah*) (“**PPAT**”) stating that the relevant land certificates have been submitted to the relevant land office and are in the process or renewal or extension;
- (v) completion by PT BWI of the transfer of shares in respect of certain Operating Companies;
- (vi) delivery by PT BWI to PT SGS of such deed of sale and purchase of land and cover note issued by a PPAT stating that the process of the transfer of certain specified Assets has been submitted to the relevant land office and are in the process of transfer;
- (vii) delivery by PT SGS to PT BWI copies of signed binding term-sheets from commercial banks or financial institutions, subject to conditions as to drawdown and definitive documentation, evidencing that PT SGS has secured commercial loans for PT SGM, at reasonable arms’ length terms with no recourse to PT BWI other than recourse to the assets of PT SGM;
- (viii) delivery by PT SGS to PT BWI of a copy of the circular in respect of the Proposed Transaction issued by the Company; and
- (ix) delivery by PT SGS to PT BWI of a copy of the announcement to be released by the Company in relation to the results of the extraordinary general meeting (“**EGM**”) to be convened to seek approval from the Shareholders for, *inter alia*, the subscription of the Subscription Shares by PT SGA.

4.3. Completion

Completion of the Subscription shall take place within five (5) business days after all the Completion Conditions have been satisfied and/or waived, or such other date as may be agreed upon in writing by the parties to the Subscription Agreement, and in any event no later than 30 January 2020 (the “**Completion Date**”).

5. **SALIENT TERMS OF THE SHAREHOLDERS AGREEMENT**

The salient terms of the Proposed Transaction based on the terms of the Shareholders Agreement are set out in detail below:

5.1. Shareholding proportion

PT SGA shall hold 400,834 series A shares and PT BWI shall hold 385,115 ordinary shares, representing fifty-one per cent (51%) and forty-nine per cent (49%) in the total issued and paid-up share capital of PT SGM, respectively.

5.2. Board of commissioners

The board of commissioners of PT SGM (the “**Board of Commissioners**”) will comprise four (4) members, of whom two (2) commissioners shall be nominated by PT BWI and two (2) commissioners shall be nominated by PT SGA. The president of the Board of Commissioners shall be appointed from one (1) of the two (2) commissioners nominated by PT BWI. Save for the BOC Reserved Matters (as defined below), all decisions of the Board of Commissioners shall be taken by a simple majority of the Board of Commissioners present at the Board of Commissioners meeting and constituting a quorum.

5.3. Board of directors

The board of directors of PT SGM will comprise three (3) directors, of whom two (2) directors, including the president director shall be nominated by PT SGA, and one (1) director shall be nominated by PT BWI. Out of the two (2) directors nominated by PT SGA, the president director shall also be the chief executive officer and the other director shall be the chief operation officer. The one (1) director nominated by PT BWI shall be the chief finance officer. Unless otherwise provided under applicable law, all decisions of the board of directors of PT SGM shall be taken by a simple majority of the board of directors of PT SGM present at such board of directors meeting and constituting a quorum.

5.4. Share transfer restrictions

Save for a transfer to its affiliate or an Intended Purchaser (as defined below), and subject to any such transferees executing a deed of ratification and accession, to ratify and be subject to the provisions of the Shareholders Agreement, PT SGA and PT BWI shall not, without the prior written consent of the other shareholder(s) (such consent not to be unreasonably withheld or delayed), directly or indirectly, sell, transfer, assign or dispose of their respective shareholding in PT SGM.

A selling shareholder may sell or otherwise transfer all but not part of its shares in PT SGM (the “**Transfer Shares**”) by notifying the other non-selling shareholder and PT SGM in writing of such intention, specifying amongst others the identity of the intended purchaser (the “**Intended Purchaser**”) and the intended price of the Transfer Shares to be determined in accordance with procedures as provided under the Shareholders Agreement by an independent share valuation expert to be appointed by the parties to the Shareholders Agreement (“**Expert**”). Within thirty (30) days of such written notice, the non-selling shareholder may exercise its pre-emption right to purchase all of the Transfer Shares. If the Transfer Shares are not purchased by the non-selling shareholder, the selling shareholder may, subject to the conditions stated in the Shareholders Agreement, sell the Transfer Shares to the Intended Purchaser.

In addition, the non-selling shareholder shall have a tag-along right to sell its shares in PT SGM to the Intended Purchaser of the Transfer Shares.

5.5. Put option right

PT BWI shall have the right and option to require PT SGA, or its affiliates, to purchase all, but not less than all, of the issued and fully paid-up shares in PT SGM held by PT BWI at a fair value to be determined by an Expert in accordance with procedures as provided under the Shareholders Agreement. Such option is to be exercisable during the earlier of (i) six (6) months after the eighth (8th) anniversary of the Shareholders Agreement, or (ii) six (6) months after the date of PT SGM’s notification letter to both PT SGA and PT BWI stating that PT SGM has reached a minimum annual output of 400,000M³.

5.6. Deadlock

In the event that the Board of Commissioners cannot reach any unanimous consensus on any of the BOC Reserved Matters (as defined below) within thirty (30) calendar days (the “**BOC Deadlock Matter**”), procedures for resolving such matters have been prescribed.

A total deadlock shall be deemed to have arisen in the event that BOC Deadlock Matter is not resolved based on such prescribed procedures within the prescribed period, and in which case, either PT BWI or PT SGA may require the other party to purchase all of its shares in PT SGM, at such fair value to be determined by an Expert and subject to the conditions stated in the Shareholders Agreement or through a blind bidding process if neither party wishes to purchase or sell its respective stake, or both parties wishes to sell their respective stakes in PT SGM.

5.7. Reserved Matters

The Shareholders Agreement includes provisions relating to certain reserved matters requiring either (i) the prior unanimous approval in writing of the Board of Commissioners (the “**BOC Reserved Matters**”), or (ii) the prior unanimous approval of the shareholders of PT SGM holding the requisite percentage of voting rights at a meeting of the shareholders, before such matters can be taken at a meeting of the Board of Commissioners or a meeting of the shareholders of PT SGM respectively.

5.8. Dividends

Under the terms of the Shareholders Agreements, parties thereto have agreed to use their best efforts to distribute dividends in each financial year to PT SGA and PT BWI, as shareholders of PT SGM. Any distribution of dividends by PT SGM, including the amount to be distributed, shall be approved and determined at a meeting of the shareholders of PT SGM.

6. **RATIONALE FOR THE PROPOSED TRANSACTION AND SOURCE OF FUNDS**

6.1. The Board is of the view that the Proposed Transaction is in the best interests of the Company and its Shareholders, taking into account, among others, the following:

- (i) the Proposed Transaction involves a business that is complimentary with the Company’s core business of being a vertically integrated wood resource processor;
- (ii) the Proposed Transaction will provide future revenue stream and operating cash flow for the Group, thereby enhancing Shareholders’ value;
- (iii) the Proposed Transaction allows the Company to expand its operations into new locations in Indonesia; and
- (iv) the Company will be able to seize lucrative business opportunities through its partnership with PT BWI that were previously not available to the Group.

6.2. The Subscription Amount will be funded through the Group’s internal resources and/or loan from financial institutions.

7. **RELATIVE FIGURES BASED ON RULE 1006 OF THE LISTING MANUAL**

7.1. For the purpose of Chapter 10 of the Listing Manual, the relative figures computed on the relevant bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Transaction based on the unaudited consolidated financial statements of the Group for the six (6) month financial period ended 30 June 2019 (“**HY2019**”) are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value.	Not applicable
(b)	Net profits attributable to the Subscription Shares to be acquired, compared with the Group’s net profits	Not meaningful ⁽¹⁾
(c)	Aggregate value of the Subscription Amount of US\$20,681,852 (approximately S\$28,432,356 ⁽²⁾) given, compared with the Company’s market capitalisation ⁽³⁾ of S\$47,543,010 based on the total number of issued shares excluding treasury shares	59.8%

(d)	Number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no equity securities to be issued by the Company as consideration for the Proposed Transaction
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven 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 as the Proposed Transaction is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company

Notes:

- (1) Not meaningful as PT SGM has not commenced operations and there are no profits attributable to the Subscription Shares.
- (2) Based on an illustrative exchange rate of US\$1 : S\$1.375. The illustrative exchange rate is solely for illustrative purposes and should not be construed as a presentation that the relevant amounts have been or could be converted at this rate or at any other rate.
- (3) The market capitalisation of the Company of approximately S\$47,543,010 is determined by multiplying the 2,377,150,505 shares in issue by the volume-weighted average price of the shares of S\$0.02 on 13 September 2019 (being the immediate market day preceding the date of signing of the Subscription Agreement).

7.2. As the relative figure under Rule 1006(c) exceeds twenty per cent (20%), the Proposed Transaction is regarded as “a major transaction” as defined under Rule 1014 of the Listing Manual and is subject to the approval of the Shareholders.

8. FINANCIAL INFORMATION

Value Attributable to the Subscription Shares

8.1. Book Value

Based on the unaudited pro forma management accounts of PT SGM as at 16 September 2019, the book value attributable to the Subscription Shares is approximately IDR 60,319,485,189.

8.2. Net Tangible Assets (“NTA”)

Based on the unaudited pro forma management accounts of PT SGM as at 16 September 2019, the NTA attributable to the Subscription Shares is approximately IDR 53,944,993,001.

8.3. Latest Available Open Market Value

The open market value of the Subscription Shares is not available as the Subscription Shares are not publicly traded. No valuation of the Subscription Shares was commissioned.

9. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

9.1. Bases and Assumptions

The financial effects of the Proposed Transaction on the Group are set out below. The financial effects are shown for illustrative purposes only, and they do not necessarily reflect the exact

future financial position and performance of the Group immediately after completion of the Proposed Transaction. In accordance with Rules 1010(8) and 1010(9) of the Listing Manual, the financial effects set out below have been calculated using the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2018 (“FY2018”).

9.2. Share capital

As the Proposed Transaction does not involve the issue and allotment of any new shares in the Company, the Proposed Transaction will not have any impact on the share capital of the Company.

9.3. NTA per share

The effect of the Proposed Transaction on the NTA per share of the Group for FY2018 assuming that the Proposed Transaction had been effected at the end of FY2018 is as follows:

	Before the Proposed Transaction	After the Proposed Transaction
NTA (IDR'000)	202,418,000	256,362,000
Number of shares ('000)	2,377,150	2,377,150
NTA per share (IDR)	85	108

9.4. Earnings Per Share (“EPS”)

The effect of the Proposed Transaction on the EPS of the Group for FY2018 assuming that the Proposed Transaction had been effected at the beginning of FY2018 is as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Net profit attributable to Shareholders (IDR'000)	65,486,000	62,471,900
Weighted average number of shares ('000)	2,381,427	2,381,427
EPS – basic (IDR)	28	26

10. NO SERVICE CONTRACT

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

11. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or, to the best of the knowledge of the Company, the substantial Shareholders, has any interest, direct or indirect, in the Proposed Transaction other than their respective directorships and/or shareholdings in the Company and/or its subsidiaries (as the case may be).

12. EGM AND CIRCULAR TO SHAREHOLDERS

The Directors will be convening an EGM to seek approval of the Shareholders for the Proposed Transaction. A circular containing, *inter alia*, the notice of EGM and the details of the Proposed Transaction, will be despatched to the Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their shares which may be prejudicial to their interests until they or their advisers have considered the information and the recommendations to be set out in the circular.

13. DOCUMENTS FOR INSPECTION

Copies of the Transaction Agreements will be made available for inspection during normal business hours at the registered office of the Company at 7500A Beach Road, #08-305/307 The Plaza, Singapore 199591 for three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
19 September 2019