

**CAPITAL REDUCTION::PROPOSED CAPITAL REDUCTION TO REDUCE THE SHARE CAPITAL OF THE COMPANY**

## Issuer &amp; Securities

## Issuer/ Manager

SAMKO TIMBER LIMITED

## Securities

SAMKO TIMBER LIMITED - SG1W64939547 - E6R

## Stapled Security

No

## Announcement Details

## Announcement Title

Capital Reduction

## Date &amp; Time of Broadcast

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## Status

New

## Announcement Sub Title

Proposed Capital Reduction to Reduce the Share Capital of the Company

## Announcement Reference

SG190826OTHRPOME

## Submitted By (Co./ Ind. Name)

Riko Setyabudhy Handoko

## 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.

## Additional Details

## Number of shares Outstanding

2,377,150,505

## Number of Treasury Shares Cancelled

0

## Attachments

[Samko Announcement Proposed%20Change%20of%20Auditors%20and%20Capital%20Reduction.pdf](#)

Total size = 70K MB

## **SAMKO TIMBER LIMITED**

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

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- (1) **PROPOSED CHANGE OF AUDITORS FROM MESSRS ERNST & YOUNG LLP TO MESSRS MOORE STEPHENS LLP**
  - (2) **PROPOSED CAPITAL REDUCTION TO REDUCE THE SHARE CAPITAL OF THE COMPANY**
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### **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 the Company’s intention to undertake:
  - (a) a change of auditors from Messrs Ernst & Young LLP (“**EY**”) to Messrs Moore Stephens LLP (“**Moore Stephens**”) (the “**Proposed Change of Auditors**”); and
  - (b) a capital reduction exercise, pursuant to Section 78A read with 78C of the Companies Act (Chapter 50) of Singapore (“**Companies Act**”), to reduce the share capital of the Company that has been lost or is unrepresented by available assets to the extent of the amount of the accumulated losses of the Company up till 31 December 2018 amounting to IDR 1,964,702 million (the “**Proposed Capital Reduction**”).
- 1.2. The Company will be seeking approval from the shareholders of the Company (“**Shareholders**”) for the Proposed Change of Auditors and the Proposed Capital Reduction (the “**Proposed Transactions**”) at an extraordinary general meeting of the Company to be convened (“**EGM**”).

### **2. DETAILS OF THE PROPOSED CHANGE OF AUDITORS**

- 2.1. The incumbent auditors of the Company, EY, had been re-appointed at the last annual general meeting (“**AGM**”) of the Company held on 26 April 2019, to hold office until the conclusion of the next AGM of the Company. EY was first appointed as auditors of the Company on 20 August 2007 for the financial year ended 31 December 2007 (“**FY2007**”). EY has held the office of auditors of the Company for the past 12 financial years since FY2007 to the financial year ended 31 December 2018.
- 2.2. As part of ongoing good corporate governance initiatives as well as to manage its overall business costs and expenses amidst the challenging business climate, management had proposed that it would be an opportune time to review the appointment of auditors of the Group. The proposed review would accord the Group an opportunity to benchmark audit fees and realise cost efficiencies.
- 2.3. The Board is of the view that the Proposed Change of Auditors is in the best interests of the Company and the Shareholders because the quantum of professional fees for the audit services proposed by Moore Stephens is more competitive in comparison to that charged by EY. The Company expects that the Proposed Change of Auditors will allow the Group to save approximately IDR 1,877 million, or 39%, in audit fees<sup>1</sup>.
- 2.4. Accordingly, the Board is of the view that it would be in the interests of the Company and the Shareholders to appoint Moore Stephens as auditors of the Company in place of EY in respect

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<sup>1</sup> Cost savings have been computed based on the fee proposals for audit services for the Group for the financial year ending 31 December 2019 provided by each of EY and Moore Stephens.

of the current financial year ending 31 December 2019.

- 2.5. On 4 July 2019, EY had applied to the Accounting and Corporate Regulatory Authority (“**ACRA**”) to seek ACRA’s consent to resign as Auditors of the Company. On 23 July 2019, EY received a letter (“**ACRA Letter of Consent**”) from ACRA consenting to the resignation of EY as auditors of the Company. On 13 August 2019, EY provided the Company with its notice of resignation dated 13 August 2019 (the “**Notice of Resignation**”) as auditors of the Company. Pursuant to Section 205AB(5) of the Companies Act, the resignation of EY will take effect on the latest of the following dates: (a) on the day (if any) specified by EY in the notice of resignation, (b) on the day on which ACRA notifies EY and the Company of its consent to the resignation, or (c) on the day (if any) fixed by ACRA. In accordance with Section 205AB(5) of the Companies Act, the resignation of EY as auditors of the Company took effect on 13 August 2019.
- 2.6. Moore Stephens had given its consent to act as auditors of the Company by way of a letter dated 9 July 2019 subject to Shareholders’ approval for the same. Pursuant to Rule 712(3) of the Listing Manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited and Section 205AF of the Companies Act, the Proposed Change of Auditors must be specifically approved by Shareholders in a general meeting. As ACRA had issued its consent to EY’s resignation pursuant to the ACRA Letter of Consent, the appointment of Moore Stephens will be effective upon the approval of Shareholders being obtained at the EGM. Upon the appointment, Moore Stephens will hold office until the conclusion of the next AGM of the Company.
- 2.7. The Directors would like to highlight that the Proposed Change of Auditors is in no way the result of any disagreement.
- 2.8. The Directors wish to express their appreciation for the past services rendered by EY.

### **3. DETAILS OF THE PROPOSED CAPITAL REDUCTION**

#### **3.1. Introduction**

- (a) The Proposed Capital Reduction will be effected in the following manner:
  - (i) by the cancellation of the Company’s issued and fully paid up share capital as at the effective date of the Proposed Capital Reduction (such date to be announced by the Company on SGXNET) by the extent of the amount of the accumulated losses of the Company as at 31 December 2018 of IDR 1,964,702 million (“**Accumulated Losses**”); and
  - (ii) the amount of IDR 1,964,702 million, being the credit arising from the aforesaid cancellation of share capital, shall be applied to write off the Accumulated Losses.
- (b) As at the date of this announcement, the Company’s issued and fully paid up share capital (excluding treasury shares) is S\$399,319,570 divided into 2,377,150,505 ordinary shares in the capital of the Company (“**Shares**”).
- (c) The Accumulated Losses arose mainly from operational losses over the years, and the Proposed Capital Reduction will reduce the Company’s Accumulated Losses by the cancellation of the share capital of the Company to the extent of IDR 1,964,702 million.
- (d) The Proposed Capital Reduction does not entail any outflow of cash or change in the net assets of the Company. **There will be no change in the total number of issued Shares in the Company held by the Shareholders immediately after the Proposed Capital Reduction nor will the Proposed Capital Reduction involve the payment to any Shareholders of any paid-up share capital of the Company.**

### 3.2. Rationale

The purpose of the Proposed Capital Reduction is to write off the Accumulated Losses with a view to restructure the finances of the Company. This serves to rationalise the balance sheet of the Company for it to be an accurate reflection of the financial position of the Company. In addition, the Proposed Capital Reduction will facilitate future equity-related fund raising exercises to recapitalise and strengthen the balance sheet of the Company. The Company would also be in a better position to retain profits and enhance its ability to pay future dividends, when appropriate, if the Accumulated Losses are written off. The Directors will take into consideration the present and future funding needs of the Company and the Group before declaring any dividends.

### 3.3. Financial Effects of the Proposed Capital Reduction

- (a) The Proposed Capital Reduction is an accounting procedure that reduces the existing share capital of the Company by IDR 1,964,702 million, to write off the Accumulated Losses. The Proposed Capital Reduction represents merely a change in the composition of reserves and does not entail any reduction or distribution of cash or other assets of the Company.
- (b) As there will be no changes to the number of issued Shares of the Company following the Proposed Capital Reduction, the Proposed Capital Reduction will not have any effect on the net tangible assets per Share, the earnings per Share, the return on equity to Shareholders and the gearing ratio of the Company and the Group.

### 3.4. Conditions of the Proposed Capital Reduction and Creditor Objections

- (a) The Proposed Capital Reduction is subject to, *inter alia*, the following:
  - (i) the approval of the Shareholders by way of special resolution at the EGM (the “**Capital Reduction Resolution**”);
  - (ii) compliance with the relevant publicity requirements as prescribed in the Companies Act;
  - (iii) no application having been made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the timeframe prescribed in the Companies Act; and
  - (iv) the Company must after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction Resolution, lodge the following documents with ACRA:
    - (aa) a statement made by the Directors confirming that the requirements under Section 78C(1)(c) of the Companies Act have been complied with, and that no application for cancellation of the Capital Reduction Resolution has been made; and
    - (bb) a notice containing information in relation to the Proposed Capital Reduction specified under the Companies Act.
- (b) In the event that during the six (6) weeks beginning with the Capital Reduction Resolution date, one (1) or more applications for the cancellation of the Capital Reduction Resolution has been made under Section 78D(2) of the Companies Act, for the Proposed Capital Reduction to take effect, the following conditions must be satisfied:
  - (i) the Company must give ACRA notice of the application(s) for the cancellation of the Capital Reduction Resolution as soon as possible after such application(s) have been served on the Company by the creditor(s);

- (ii) the proceedings in relation to each application for the cancellation of the Capital Reduction Resolution must be brought to an end by either (aa) the dismissal of the application under Section 78F of the Companies Act; or (bb) without determination (for example, because the application has been withdrawn); and
- (iii) the Company must, within fifteen (15) days beginning with the date on which the last such proceeding was brought to an end in accordance with paragraph 3.4(b)(ii) above, lodge with ACRA:
  - (aa) a statement made by the Directors confirming that the requirements under Section 78C(1)(c) and Section 78D(4) of the Companies Act have been complied with, and that the proceedings in relation to each such application have been brought to an end by the dismissal of the application or without determination;
  - (bb) in relation to each such application which has been dismissed by the Court, a copy of the order of the Court dismissing the application; and
  - (cc) a notice containing information in relation to the Proposed Capital Reduction specified under the Companies Act.

#### **4. 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 Transactions other than their respective directorships and/or shareholdings in the Company.

#### **5. CIRCULAR**

A circular containing, *inter alia*, the notice of EGM and the details of the Proposed Change of Auditors and Proposed Capital Reduction, Moore Stephens as the incoming auditors, the amount of the Accumulated Losses, and the extent by which the share capital of the Company will be cancelled, will be despatched to the Shareholders in due course.

#### **6. 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 Proposed Change of Auditors and Proposed Capital Reduction, 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.

#### **7. CAUTIONARY STATEMENT**

Shareholders and potential investors are advised to exercise caution when dealing or trading in the Shares. The Proposed Transactions are subject to certain conditions and as at the date of this announcement, there is no certainty or assurance that the Proposed Transactions will be completed. The Company will make the necessary announcements when there are further developments. Shareholders and potential investors are advised to read this announcement

and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants, tax advisers or other professional advisers if they have any doubt about the actions they should take.

**BY ORDER OF THE BOARD**

Riko Setyabudhy Handoko  
Executive Director and Chief Executive Officer  
26 August 2019



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Our Ref: ASU-RT/60656315/JON

13 August 2019

The Board of Directors  
Samko Timber Limited  
7500 A Beach Road  
#08-305/307 The Plaza  
Singapore 199591

Attention : Riko Setyabudhy Handoko

**Samko Timber Limited**  
**Samko Trading Pte Ltd**

Dear Sirs:

We should be grateful if you would accept this letter as formal notice that we do not wish to seek reappointment as auditors of the above companies at the forthcoming Extraordinary General Meeting. Accordingly, we withdraw our consent to act in this capacity.

Please send us a copy of the resolution appointing our successors in order to confirm that our duties and obligations as auditors have ceased.

We take this opportunity to thank you for your co-operation and kind support accorded to us during the course of our appointment as auditors of the Company. We wish you the very best in all your future endeavours.

Yours faithfully,

JON/FTC/kt