



SAMPOERNA KAYOE

## UNLIMIT INNOVATION WITH SUSTAINABLE TIMBER



**SAMKO TIMBER LIMITED**  
annual report 2020

UNLIMIT POSSIBILITIES



# SAMPOERNA KAYOE

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At **Sampoerna Kayoe**, we believe in the importance of maintaining balance between innovation and sustainability, between design and functionality, between dreams and hard work. When these balances are kept, *we know that our Unlimit Possibilities principle is working.*

## COMPANY BACKGROUND

Samko Timber Limited (“**Samko**” or “**Samko Timber**”) and its subsidiaries (the “**Group**”) is Indonesia’s leading, vertically integrated wood resource processor. Samko operates six timber processing plants, eleven satellite veneer plants and a chemical glue facility spread across Java, Sumatra and Sulawesi with an annual production capacity of +/-900,000 m<sup>3</sup>; export to 33 countries.

With unrelenting focus on excellence at every stage of its supply chain, Samko has garnered international environmental accreditations as a testament of its long term commitment to quality and sustainability. The Research and Development department is tasked with ongoing process improvement, wood maximisation and product innovation, setting the stage for value creation and growth.

With close to 40 years of experience and industry knowledge condensed into its primary and secondary processed timber products, Samko’s products are found in residential, commercial and industrial applications in the form of plywood, wood-decking, wood-doors, wood-flooring, piano and truck parts. Samko’s products enjoy a dominant market share in Indonesia, and are distributed in 33 countries across the world, including the Asia Pacific region, Europe, the Middle East, the South East Asia, Australia and the United States of America.





# CHAIRMAN STATEMENT

DEAR SHAREHOLDERS,

## Overview of the Year

The COVID-19 Pandemic had changed lives across the globe and unfortunately remained severe throughout 2020. Aside from the soaring cases and death rates, the global economy took a severe hit, as numerous nations implemented lockdowns in their effort to curb the spread of the virus. As such, the global economy contracted by more than four percent.

2020 was a tremendously challenging year, marred by social and political unrest. In the United States (US), Trump's final year of administration witnessed one of the most politically divisive Presidential elections, resulting in the election of Joe Biden. Protests were rampant worldwide, particularly the continuing anti-government protests in Hong Kong, and marches for equality amidst increasing racial tensions in the US.

Indonesia was not spared from the impact. After several years of strong growth, Indonesia's gross domestic product ("GDP") fell 2.1% in 2020. From Rp13,894 to USD 1.00, the Rupiah depreciated slightly against the US Dollar to close at Rp13,956 as of 31 December 2020. However, on a positive note, the impact of the downturn of events was smaller than other countries in the Asia Pacific Region – partly due to the lower dependence of Indonesia on highly-impacted sectors, such as tourism. Economic activity started to rebound in July 2020, following the easing of containment measures and strong government support.

Indonesia's comprehensive response to the pandemic has played a crucial role in our roadmap to recovery. The National Economic Recovery Program prioritizes the strengthening of healthcare capacity and providing financial support to households and businesses. Indonesia's ambitious COVID-19 vaccination plan and swift roll out of the first phase of vaccinations is also expected to aid in further strengthening the nation's GDP.

The Group's sales decreased by 19% year-on-year ("yoy") to Rp3.2 billion mainly due to a decrease in domestic sales and lower average selling prices. Gross profit also declined 19% in financial year ended 31 December 2020 due mainly to lower sales revenue from the domestic segment, offset by a lower unit production costs incurred as a result of lower material, labour and overhead costs.

## Looking Ahead

With improving COVID-19 statistics and steady roll-out of the national vaccination program, the ongoing national economic recovery is predicted to increase. In 2021, the Indonesian economy is expected to grow 4.8 – 5.8%, supported by an increase in export performance, private and government consumption, as well as investment from both government capital expenditures and foreign investment as a positive response to the Job Creation Law. Macroeconomic stability will be maintained with inflation under control, and targeted at 3 +/- 1%.

## APPRECIATION

In regards to the export market, the Group have increased our sales in 2020. The US market continues to be our focus, along with initiatives to broaden our sales footprint in South-East Asia, the Middle East, Africa, Eastern and Western Europe.

Meanwhile, the Group will continue to focus on the optimization of our operations, with the highest level of priority on improving product quality. Our focus on sustainable forest management will continue to be a pillar of success for the Group. In 2020, we successfully attained FSC certification in our largest plant, located in Jombang, East Java, in addition to the FSC certification in our plant, located in Jambi, which has been obtained in 2019. This will be a continuous effort by all parties within our Group.

I would also like to express our appreciation to our shareholders, staffs, business partners and customers for their dedication and unwavering support.

**Eka Dharmajanto Kasih**  
*Non-Executive Chairman*





## CEO STATEMENT

### DEAR SHAREHOLDERS,

I am pleased to present the annual report of Samko Timber Limited for the financial year ended 31 December 2020 (“FY2020”). Year 2020 was a tumultuous year for the Group. However, I am proud to lead the Group in navigating through adversities in my fifth year as the Chief Executive Officer with the support of the Board and a steadfast team.

### FINANCIAL REVIEW

For FY2020, the Group’s sales decreased by 19% year-on-year (“yoy”) to Rp3.2 billion. The increase in the sales volume for export markets was insufficient to cushion the decrease in the sales volume for domestic markets. The slowdown in domestic demand over the year of 2020 brought the overall sales volume down by 15%. Lower sales revenue was caused by a decline in average selling price by 4% in FY2020 as compared to the financial year ended 31 December 2019 (“FY2019”). Gross profit also declined 19% in FY2020.

The Group’s selling expenses for FY2020 increased by 7% yoy to Rp162 billion mainly due to higher freight costs, while general and administrative expenses decreased 8% yoy to Rp326 billion due mainly to lower employee costs and professional fees. Finance expenses, which related to interest expense, increased 4% yoy to Rp110 billion mainly due to additional loans for working capital.

In FY2020, other income increased 192% yoy to Rp136 billion which mainly came from the net gain in fair value of biological assets. Higher other expenses were derived mainly from foreign exchange losses as a result of depreciating IDR, retrenchment expenses and amortization of land use rights.

As a result of the above, the Group recorded a net loss of Rp37 billion in FY2020 as compared to a net profit of Rp6 billion in FY2019.

### OPERATIONAL REVIEW

During FY2020, the Group continued to streamline its operations and reduce costs to strengthen its balance sheet.

The COVID-19 outbreak since the beginning of 2020 is an unfortunate event which affected millions of people and businesses alike. The global pandemic hit the Group’s domestic and export market hard, particularly in Q2 and extending on to Q3 for domestic and export market (and Q4 within our domestic market). However, amidst the challenging business climate, the Group is pleased to report that we have closed 2020 better than our revised Pandemic forecast set at the start of the COVID-19 pandemic by gaining back and excelling in our export markets.

With the major improvement on the production capability to increase the export grade product, the Group had been able to increase sales volume to the United States of America’s market, specifically on birch plywood and thin plywood product. Even though, there was a global disruption on the transport of vessel container at the end of 2020. It also created an opportunity for the Group to identify more efficient alternative modes of transportation.

As part of the Group’s continued commitment towards sustainability, we successfully attained Forest Stewardship Council (FSC) Chain of Custody (CoC) certification for our biggest plywood mill, located in Jombang, East Java. In addition, we continue to work with more farmers to keep increasing the SLIMF (Small and Low Intensity Managed Forest certification coverage under our Group-managed farmer community).

## 2021 OUTLOOK

The COVID-19 pandemic and global logistic challenges remain the biggest obstacles for the Group in 2021.

Yet, the Group is confident year 2021 will see a rebound in market demand. The Indonesian government announced a strong plan of vaccinating 181.5 million out of the 270 million Indonesian population by the end of 2021 and so far has successfully completed its first vaccine rollout phase. A success on COVID-19 vaccine rollout and the Indonesian government's USD725 million economic stimulus package are expected to strengthen the Indonesia market.

Internally, the Group is continuing to increase the production efficiency and capability through modernization and continuous improvement projects.

## APPRECIATION

It has always been the Group's vision to champion a sustainable future for all. Therefore, every year, the Group continuously channels all its efforts into the development of a strong business and operating model, enabling us to continuously expand our processing capacity while maintaining sustainability in production. We would like to extend our appreciation to all our business partners, customers and shareholders who have been accompanying us on our journey throughout the years.

I would like to extend my gratitude to our Board members for guiding the Group dutifully with their valuable foresight and knowledge.

Last but not least, I would like to take this opportunity to thank our management team and staffs for their dedication and contributions to the Group.

### **Riko Setyabudhy Handoko**

*Executive Director and Chief Executive Officer*





**High Quality  
Plywood that is  
Known Across  
the Globe**





## MILESTONE

### 1978

- Mr Koh Boon Hong (Hasan Sunarko), Founder of Samko, started business activity in plywood and veneer production

### 1989

- Acquisition of PT PUPP (PT Panca Usaha Palopo Plywood) shares (processing facilities in Palopo – Sulawesi)

### 1993

- Acquisition of PT PSUT (PT Putra Sumber Usaha Timber) shares (processing facilities in Jambi – Sumatera)

### 1999

- Establishment of PT SGS (PT Sumber Graha Sejahtera) (processing facilities in Tangerang – Banten/Jawa Barat)

### 2002

- Acquisition of PT SLJ Global Tbk (PT Sumalindo Lestari Jaya Tbk) shares

### 2004

- Establishment of PT SUB (PT Sejahtera Usaha Bersama)

### 2005

- Establishment of Samko Timber Limited (Holding Company in Singapore)

### 2006

- Samko Timber Limited take over PT SGS (PT Sumber Graha Sejahtera) shares, the Holding Company in Indonesia
- Sampoerna Forestry Limited acquired 42.6% Samko Timber Limited shares

### 2008

- Listing of Samko Timber Limited shares in SGX – Singapore (IPO)

### 2009

- Establishment of Samko Trading Pte. Ltd. (Distribution Company in Singapore)

### 2010

- Completion of the First Rights Issue of Samko Timber Limited
- Deconsolidation of PT SLJ Global Tbk (PT Sumalindo Lestari Jaya Tbk) through a dilution of our 51.62% shareholding to 31%. PT SLJ Global Tbk was in a less favorable financial condition and the deconsolidation strengthens Samko's financial position

- Commencement of joint venture between our subsidiary, PT SGS (PT Sumber Graha Sejahtera) and PT Wahana Sekar Agro to jointly develop a timber plantation in West Java

### 2011

- Establishment of Samkwood Products Sdn. Bhd. (Distribution Company in Malaysia)
- Commencement of the development of our own industrial forest plantation in Jambi to sustain our future needs of raw material
- Announcement of proposed acquisition of Bioforest Pte. Ltd. from Temasek Life Sciences. Bioforest Pte. Ltd. is a bio-technology company that focuses in the research and development of high performance tree species for our plantations

### 2012

- Completion of the 100% acquisition of Bioforest Pte. Ltd.
- Completion of the 65% acquisition of PT Cipta Graha Kreasindo (“CGK”). CGK will, on behalf of Samko provide construction and installation services into our products and also provides Samko faster access into the housing market

### 2013

- Strengthening the capital structure of Samko Trading Pte. Ltd. by way of debt to equity conversion by Samko

### 2014

- Securing the license and approval from the Minister of Forestry of the Republic of Indonesia for a concession of industrial timber plantation (HTI Forestry License) at Central Bangka

### 2015

- Establishment of PT Nusantara Mitra Sejahtera, a Joint Venture Company between Samko Trading Pte. Ltd. and partner from Japan for Wood Truck Body production

**2016**

- Appointment of Mr Riko Setyabudhy Handoko, as the new CEO of Samko Timber Limited
- Completion of Second Rights Issue of Samko Timber Limited, in this rights issue exercise, Sampoerna Forestry Limited subscribed for certain number of new shares issued by Samko Timber Limited, and subsequently become the holder of approximately 64% shares of Samko Timber Limited
- Disposal of all shares of PT SLJ Global Tbk (PT Sumalindo Lestari Jaya Tbk)

**2017**

- Completion of reorganisation of the Group, including Merger of PT SGS (PT Sumber Graha Sejahtera), a direct subsidiaries of the Company, and its 13 subsidiaries, whereby PT SGS become the surviving company
- Disposal of one factory of PT SGS (PT Sumber Graha Sejahtera) (processing facilities in Tangerang - Banten)
- Launching of our new brand, i.e. "Sampoerna Kayoe"

**2018**

- Completion of second phase reorganisation of the Group, i.e. Merger of PT SGS (PT Sumber Graha Sejahtera), a direct subsidiary of the Company and its 2 subsidiaries, whereby PT SGS become the surviving company
- New brand launch, i.e. "Sampoerna Kayoe" with the campaign theme 'Unlimit Possibilities' and 'Sustainability'

**2019**

- Samko Timber Limited, through its wholly owned subsidiary, PT SGA (PT Sempurna Graha Abadi), has entered into an agreement with PT Barito Wanabinar Indonesia and PT Sumber Graha Maluku, to subscribe 51% shares in PT Sumber Graha Maluku (and its subsidiaries), a group of companies engaging in the business of industrial forest plantations and plywood factories, which holding the forestry concession rights of approximately 59,138 hectares in Maluku Utara Province, Indonesia

**2020**

- Establishment of the Environmental and Sustainability Development Division, focused on long-term environmental and social programs across the Group's supply chain and operations
- Launching of the Sustainable Forest Management Certification Program. Creating partnerships with smallholder farmers in Java and Sumatra to aid them in obtaining Forest Stewardship Council (FSC) Small and Low Intensity Forest Management (SLIMF) certification



# Building the Future with Sustainable Timber

Since 2001, Sampoerna Kayoe has supported the planting of more than 67 million trees across the country. While we keep our resources sustainable, you will get dimensionally stable and fully customizable doors.





**Possibility of Innovating**  
but also in maintaining the  
sustainability of our  
**Natural Resources**





## BOARD OF DIRECTORS

### Mr Eka Dharmajanto Kasih

*Non-Independent and Non-Executive Chairman*

Aged 70, Mr Eka Dharmajanto Kasih has served on the Board since April 2006. Prior to joining the Group, he was a Commissioner and a Director of PT H.M. Sampoerna Tbk, and also a Director of Sampoerna International Finance Company, BV. and Sampoerna International Pte Ltd. Mr Kasih holds a bachelor's degree in Economics from the University of Indonesia and has been an adjunct lecturer at the University of Indonesia (Faculty of Economics) since then.

### Mr Riko Setyabudhy Handoko

*Executive Director and Chief Executive Officer*

Aged 48, Mr Riko Setyabudhy Handoko has served on the Board since June 2016. He holds a Master of Business Administration from the INSEAD, France and Singapore and a Bachelor of Economics from the Trisakti University, Indonesia. Before joining the Group, Mr Handoko worked for Kimberly Clark Corporation in Asia Pacific from 2009. He held several positions with Kimberly Clark Corporation such as Group General Manager Asia and Managing Director for China and India for Kimberly Clark Professional, and Managing Director Taiwan for Kimberly Clark International. Prior to that, Mr Handoko also worked for Asia Pulp and Paper ("APP") and served as Global Tissue BU Director. In that role, he led APP's consumer and professional tissue businesses from 2003 to 2008.

#### **Date of first appointment as a director:**

26 April 2006

#### **Date of last re-election as a director:**

5 June 2020

#### **Present Directorship:**

*Other Listed Companies*

PT Sampoerna Agro Tbk  
*Commissioner*

PT Apexindo Pratama Tbk  
*Commissioner*

#### **Other Principal Commitments:**

MK 3 Investment Pte Ltd  
*Chairman*

Templeton Pte Ltd  
*Non Executive Director*

PT Union Sampoerna  
*Commissioner*

Sampoerna Forestry Limited  
*Director*

PT Sampoerna Strategic  
*Commissioner*

PT Sampoerna Investama  
*Commissioner*

#### **Past Directorships in listed companies held over the preceding three years:**

Nil

#### **Date of first appointment as a director:**

27 June 2016

#### **Date of last re-election as a director:**

26 April 2019

#### **Present Directorship:**

*Other Listed Companies*

Nil

#### **Other Principal Commitments:**

Nil

#### **Past Directorships in listed companies held over the preceding three years:**

Nil

**Mr Michael Joseph Sampoerna***Non-Independent and Non-Executive Director*

Aged 42, Mr Michael Joseph Sampoerna has served on the Board since August 2007. He possesses extensive Board and management experience, having previously served on the Board of various local and overseas companies, including as President Director of PT H.M. Sampoerna Tbk. Mr Sampoerna studied at Millfield School in Somerset, England then attended London School of Economics focusing on business and finance.

**Mr Ng Cher Yan***Independent and Non-Executive Director*

Aged 62, Mr Ng Cher Yan was appointed to the Board in December 2007. He started his career with an international accounting firm and is currently practicing as a Chartered Accountant in PLUS LLP. Mr Ng holds directorships in several companies listed on the Singapore Exchange Trading Securities Limited. Mr Ng holds a Bachelor of Accountancy from the National University of Singapore and is also qualified as a Chartered Accountant in Australia. Mr Ng is a fellow member of the Institute of Chartered Accountants in Singapore, and a member of the Institute of Chartered Accountants in Australia.

**Date of first appointment as a director:**

30 August 2007

**Date of last re-election as a director:**

5 June 2020

**Present Directorship:**

*Other Listed Companies*  
PT Sampoerna Agro Tbk  
*President Commissioner*

**Other Principal Commitments:**

PT Sampoerna Strategic  
*Director*  
PT Sampoerna Investama  
*Director*  
Putera Sampoerna Foundation  
*Member of the Board of Patrons*  
PT Sampoerna Telekomunikasi Indonesia  
*President Commissioner*

**Past Directorships in listed companies held over the preceding three years:**

Nil

**Date of first appointment as a director:**

14 December 2007

**Date of last re-election as a director:**

26 April 2019

**Present Directorship:**

*Other Listed Companies*  
Vicplas International Ltd  
*Independent Director*  
MoneyMax Financial Services Ltd  
*Independent Director*  
Serial System Ltd  
*Independent Director*

**Other Principal Commitments:**

PLUS LLP  
*Partner*

**Past Directorships in listed companies held over the preceding three years:**

Mermaid Maritime Public Co Ltd  
*Independent Director*  
Bull Will Co. Ltd.  
*Non-Executive Director*

**Mr Sim Idrus Munandar***Independent and Non-Executive Director*

Aged 66, Mr Sim Idrus Munandar was appointed to the Board in December 2007. Prior to 2005, he was President Director of PT Bina Danatama Finance Tbk, a public-listed company in Indonesia engaged in the financing business. Mr Sim holds a bachelor's degree in Economics from the University of Indonesia, and had been a lecturer at the Sekolah Tinggi Ekonomi (STIE) Jayakarta since 1981 to 2014.

**Mr Wee Ewe Lay Laurence John***Independent and Non-Executive Director*

Aged 63, Mr Wee Ewe Lay Laurence John was appointed to the Board in December 2007. He holds a Bachelor of Law (Honours) from the University of Buckingham, and was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in December 1983 and has been in legal practice for more than 33 years. He is currently the Director of Quahe Woo & Palmer LLC where he joined on 1 July 2015. Mr Wee currently also holds directorship appointments in several other Singapore companies, including AL Assets Pte Ltd and Cecilanda Private Limited.

**Date of first appointment as a director:**

14 December 2007

**Date of last re-election as a director:**

27 April 2018

**Present Directorship:***Other Listed Companies*

Kencana Agri Limited

*Independent Director*

PT Kencana Energi Lestari Tbk

*Independent Commissioner***Other Principal Commitments:**

Nil

**Past Directorships in listed companies held over the preceding three years:**

Nil

**Date of first appointment as a director:**

14 December 2007

**Date of last re-election as a director:**

27 April 2018

**Present Directorship:***Other Listed Companies*

Nil

**Other Principal Commitments:**

Quahe Woo &amp; Palmer LLC

*Director***Past Directorships in listed companies held over the preceding three years:**

Nil



## Mr Hadi Daryanto

*Independent and Non-Executive Director*

Aged 63, Mr Hadi Daryanto was appointed to the Board on 1 April 2021. Mr Daryanto has extensive education Forestry major and experience in various Forestry sectors in Indonesia. Prior to joining the Group, he held various positions in the Ministry of Forestry Office of the Republic Indonesia, among others: (i) Senior Advisor to the Minister of Environment and Forestry (2017-2018); (ii) Director General of Social Forestry and Partnership of the Ministry of Environment and Forestry (2015-2017); (iii) Secretary General of the Ministry of Forestry (2010-2015); (iv) Director General of Forest Utilization (“**DGFU**”) of the Ministry of Forestry (“**MOF**”) (2009-2010); (v) Secretary of DGFU of the MOF (2010-2015); (vi) Secretary of Forest Research & Development of the MOF; (vii) Chief of Forest Product Research of Forest R&D of the MOF (2002-2004); (viii) Director of Finance of Secretariat General of the MOF (1999-2000); (viii) Head of East Kalimantan Forest Products Certification and Information Institute of DGFU of the MOF (1995-1999); (ix) Project Director of Sustainable Forest Management Project, Indonesia GIZ GmbH, in East Kalimantan (1995-1999); and (x) Section Chief of Forest Utilization Pattern of DGFU of the MOF (1990-1994).

In addition Mr Daryanto also spent significant times in non-bureaucracy positions, among others: (i) Member of Board of Trustee RECOFTC – the Center for People and Forest in Bangkok, Thailand (an international NGO) (2016-2020); (ii) Chief of Commissioner (Ketua Dewan Pengawas) BOT Perum Perhutani Assembly S.O.E (2009-2015); and (iii) Member of Board Commissioners (Anggota Dewan Komisaris) of some joint venture companies between the GOI/SOE and Private Investor engaging in the Forestry business, i.e. PT Rodamas and PT Ratah Timber (representing the GOI shareholder acting through PT Inhutani II (SOE) as holder of the 49% shares in those companies).

### He holds the following degrees:

- Doctor Ingenieur (Dr. Ing), Advanced Wood Science and Technology, Grand Ecole, Ecole Nationale Supérieure D'electricite Et Mecanique (E.N.S.E.M.) of Institut national polytechnique de Lorraine (I.N.P.L.) of Nancy, France – 1988
- Diplome Etudiante D’approfondies (D.E.A.), Wood Science at France Grand Ecole: E.N.S.E.M. (Ecole Nationale Supérieure D’electricite Et Mecanique), I.N.P.L. (Institut national polytechnique de Lorraine) and University of Nancy, France – 1985
- Bachelor Degree of Forest Management, Bogor Agriculture University (Institute Pertanian Bogor), Bogor, Indonesia – 1981

#### Date of first appointment as a director:

1 April 2021

#### Date of last re-election as a director:

Not applicable

#### Present Directorship:

*Other Listed Companies*  
Nil

#### Other Principal Commitments:

Nil

#### Past Directorships in listed companies held over the preceding three years:

Nil

## Mr Ito Sumardi

*Independent and Non-Executive Director*

Aged 68, Mr Ito Sumardi was appointed to the Board since April 2021. Mr Sumardi has extensive experience both in corporate / private sector and military service / governmental sector. Prior to joining the Group, he served as President Commissioner and Independent Commissioner in several private and public companies in Indonesia (2019-now), as well as the Ambassador of LBBP for the Republic Indonesia in Myanmar (2014-2019). Mr Sumardi also spent more than 30 years in Police / Military Services (1978-2011), with the latest position as Head of Criminal Detective Division of Police Headquarter.

### He holds among others the following degrees:

- Doctoral/PhD Degree of Law of Pajajaran University, Bandung – 2008
- Master Degree of Law of Pajajaran University, Bandung – 2005
- Master Degree of Human Resources Management of Bramshill College, UK – 1998
- Master Degree of Business Administration of Institut Pengembangan Wiraswasta Indonesia, Jakarta – 1997
- Bachelor Degree of Law of Islam Nusantara University, Bandung – 1996
- Bachelor Degree of Police Science of Indonesian Police Service College (PTIK), Jakarta – 1986

### Date of first appointment as a director:

1 April 2021

### Date of last re-election as a director:

Not applicable

### Present Directorship:

*Other Listed Companies*

Nil

### Other Principal Commitments:

PT Paramount Land

*President Commissioner*

T Japfa Comfeed Tbk

*Independent Commissioner*

PT Tiga Pilar Sejahtera Food Tbk

*Independent Commissioner*

PT Sumber Graha Sejahtera

*Independent Commissioner*

KSP Sampoerna

*Independent Member of Supervisory Board*

### Past Directorships in listed companies held over the preceding three years:

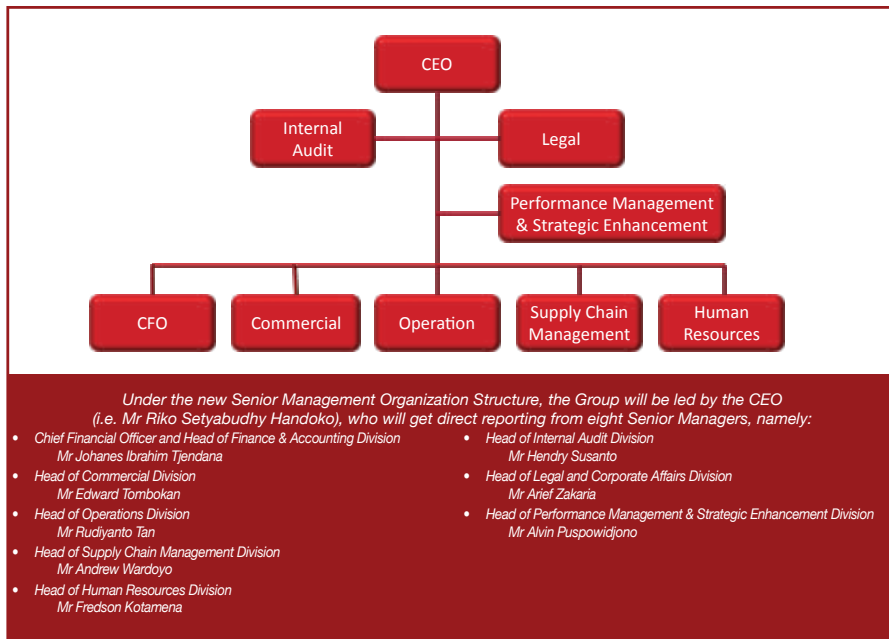
Nil



# Innovative Design with Sustainable Timber

**Sampoerna Kayoe** produces innovative and world-class engineered wood solutions while ensuring sustainable natural resources. Whatever possibilities you are unlimiting in your projects, the future of our planet is assured.

## SENIOR MANAGEMENT & ORGANIZATION STRUCTURE



**Mr Riko Setyabudhy Handoko** is the Executive Director and Chief Executive Officer of Samko Timber Limited. He joined the Group in 2016. Before joining the Group, Mr Handoko worked for Kimberly Clark Corporation in Asia Pacific from 2009. He held several positions with Kimberly Clark Corporation such as Group General Manager Asia and Managing Director for China and India for Kimberly Clark Professional, and Managing Director Taiwan for Kimberly Clark International. Prior to that, Mr Handoko also worked for Asia Pulp and Paper (“APP”) and served as Global Tissue BU Director. In that role, he led APP’s consumer and professional tissue businesses from 2003 to 2008. Mr Handoko graduated from Trisakti University Jakarta with a bachelor’s degree in economics and accounting. He also received his Master of Business Administration from INSEAD in 2002.

**Mr Johanes Ibrahim Tjendana** joined the Group in 2018. He holds a Bachelor of Accounting degree from Trisakti University Jakarta in 1995. He started his careers as an Auditor in Arthur Andersen/Prasetio Utomo & Co. until 1998. Mr Johanes possesses 20 years of experience at senior management level in various palm oil companies. Previously served at PT SMART Tbk (2004-2014) with the last position as Vice President Finance and Accounting and before joining the Group, Mr Johanes was Finance Director in Kencana Group.

**Mr Edward Tombokan** joined the Group in 2017 and is managing Commercial Division. Prior to joining the Group, Mr Tombokan possesses 13 years of experience in Pulp and Paper industry. He held several different positions under APP such as General Manager of APP Vietnam, Deputy Mill Head at PT Indah Kiat Pulp and Paper Tbk and Senior Vice President of Sales at Asia Pulp and Paper. Before that, Mr Tombokan spent some years at Corporate Finance of PT Enseval Tbk in Treasury Division. He holds a Bachelor of Science in Business Administration degree major in Marketing from University of Arizona, United States of America.

**Mr Rudiyanto Tan** joined the Group in 2015 and is responsible for managing Operations Division. Before joining the Group, Mr Tan was a General Manager in PT Holcim Tbk, one of the largest cement producers in the world. He spent 10 years in Holcim and held various positions across sales and marketing division. Prior to that, He had consulting experience with McKinsey & Company. He holds a Bachelor of Engineering degree from Bandung Institute of Technology, Indonesia and an executive Master of Business Administration from INSEAD and Tsinghua University.

**Mr Andrew Wardoyo** has been with the Group since November 2019. He earned a Master of Engineering from the University of Toronto in 2009. Prior to joining the Group, Andrew served as a Chief Executive Officer of The Door Store of America Inc. The Door Store is a subsidiary company of one of the oldest wooden door manufacturers in Asia. Previously, Mr Wardoyo served as the Chief Operations Officer at PT. Dian Bahari Sejati for 4 years. PT. Dian Sejati owns, manages, and operates Offshore Support Vessels. His career also allowed him to serve as Floating Crane Operations Manager at PT Mitra Bahtera Segara Sejati Tbk (MBSS), a publicly listed company focused on coal logistics and transshipment services. Mr Wardoyo possesses management experience focusing largely on ensuring operational excellence, logistics and supply chain compliance and efficiency across various industries.

**Mr Fredson Kotamena** joined the Group in 2012 and is responsible for the Human Resources Division. He holds Bachelor of Marine Engineering Degree from Pattimura University, and a Master of Education Degree from Pelita Harapan University, Indonesia. He is HR Professional specialize in Organization Development, People Development & Talent Management with extensive work experiences in Manufacturing and Consumer Distribution business sector at Orang Tua Group, and Natural Resources Industry business sector such as Pulp & Paper, Palm Oil Plantation, and EPC, as well as Airplane and Shipping Management business sector, at Royal Golden Eagle International.

**Mr Hendry Susanto** joined the Group in 2016 and is the Head of Internal Audit Division. Before joining the Group, he was a Department Head of Internal Audit in PT Sampoerna Strategic from 2011. Prior to that, He had worked in PT Siemens Indonesia and KPMG. He holds a Bachelor of Accounting degree from Gadjah Mada University, Indonesia.

**Mr Arief Zakaria** joined the Group in 2013 as Head of Legal and Corporate Affairs Division. He holds a Bachelor of Law degree from Parahyangan Catholic University, Bandung, Indonesia, and possesses extensive experiences as professional lawyer for more than 10 years, practicing in general corporate, company acquisition, banking and financing. Before serving the Group, Mr Zakaria was joining respectively Lubis, Ganie, Surowidjojo Law Firm (LGS), and Assegaf Hamzah & Partners Law Firm (AHP), both are one of the largest and leading law firms in Indonesia. Mr Zakaria has also possessed the experiences to serve as head of legal division of PT Bank OCBC Indonesia, and Deputy Notary of the Notary Public of some private foreign joint-venture banks in Indonesia, including, among others, Deutsche Bank AG, Jakarta branch, PT Sanwa Indonesia Bank, PT Bank Societe Generale Indonesia, and PT Bank Credit Lyonnais Indonesia.



**Mr Alvin Puspowidjono** has been with the Group since 2018. He holds a Bachelor of Psychology from the University of New South Wales, Australia, having graduated in 2010. Prior to joining the Group, Mr Puspowidjono was in Asia Pulp and Paper, Sinarmas Group. He began his career as a business analyst overseeing their pulp operations, following which, he advanced to roles in sales management and product management in the Photocopier Paper business. In 2017 – 2018, Mr Puspowidjono earned a scholarship program to pursue his MBA degree in Saïd Business School, University of Oxford.

## Designing the Future with Sustainable Timber

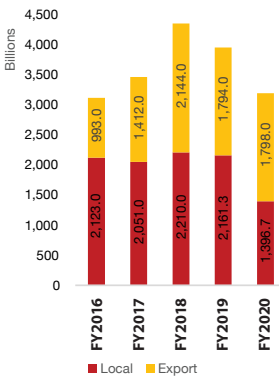
**Sampoerna Kayoe's** Architect Gatherings give Indonesian architects an opportunity to exchange ideas and get the latest trends in sustainable architecture and green design from around the globe

# FINANCIAL HIGHLIGHTS

## A Leading Engineered Wood Solution Provider in the World

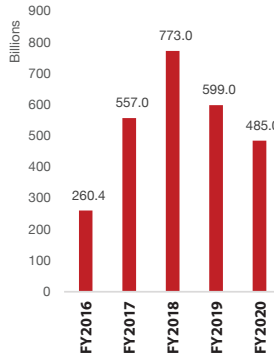
### REVENUE

(Rp. 'billions)



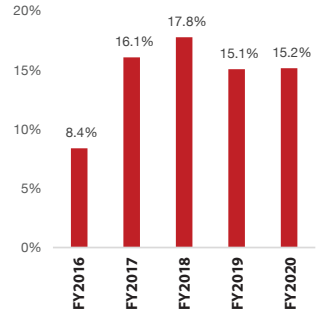
### GROSS PROFIT

(Rp. 'billions)



### GROSS MARGIN

25%







PP HOUSE , PONDOK INDAH - JAKARTA INDONESIA BY NATANEKA  
HEVEATECH APPLICATION FOR SECONDARY SKIN FACADE

# ENVIRONMENTAL AND SUSTAINABILITY DEVELOPMENT

At Samko Timber, we believe in possibilities and the need to break the limits that surround them. Our belief is evident throughout our lifecycle, from the forests our timber comes from to the projects our products are utilized in. Samko strives towards breaking limitations and turning possibilities into reality. We are committed to being a sustainable business; adopting an integrated approach in achieving business development and responsible environmental management. We keep this commitment by investing in our people, empowering the local communities in which we operate in, sourcing from sustainable suppliers and implementing continuous improvement programs in our factories. We contribute to Indonesia's growth and continue to be a vehicle for economic growth in the regions we operate in. We aim to achieve a triple bottom line, considering social and environmental aspects beyond profitability.

In 2015, the United Nations (UN) launched their 2030 Agenda for Sustainable Development, which provides a blueprint to achieve peace and prosperity for people and the planet. At its core are 17 Sustainable Development Goals to achieve their targets by 2030. Sampoerna Kayoe supports the UN Sustainable Development Goals (SDGs). We have utilized the UN SDGs in developing our Sustainability Vision to support the UN's Agenda for Sustainable Development. The SDGs formed a framework from which Samko can align its business strategies and priorities to, ensuring that we are contributing where the need is greatest and also contributing to the global sustainable agenda. The result of our mapping activity resulted in Sampoerna Kayoe's first Sustainability Agenda: Sustainability Vision 2030. Samko will focus on four aspects: forest management, production efficiency, community engagement, and conservation. Our activities can be expected to contribute to 15 out of the 17 SDGs. Further details on Vision 2030 are available in the 2020 Sustainability Report.

## VISION 2030

<p><b>Forest Management</b></p> <p>Sustainable Forest Management Certification for:</p> <ul style="list-style-type: none"> <li>Large-scale collection of economic species in Southeast Asia</li> <li>Large-scale economic Timber Plantation Forest in Indonesia</li> </ul>	<p><b>Production</b></p> <p>Increase production efficiency and reduce our environmental footprint:</p> <ul style="list-style-type: none"> <li>Increase Production Efficiency</li> <li>Reduce Emissions</li> <li>Waste Management</li> </ul>	<p><b>Community Engagement</b></p> <p>Reduce environmental, economic, and our employees by creating lasting change</p> <ul style="list-style-type: none"> <li>Engage Stakeholder Partnerships</li> <li>Employee Welfare</li> </ul>	<p><b>Conservation</b></p> <p>Conservation and Biodiversity:</p> <ul style="list-style-type: none"> <li>Protection of Endangered Species</li> <li>Reforestation</li> </ul>
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## SUSTAINABLE DEVELOPMENT GOALS

<p><b>1 NO POVERTY</b></p>	<p><b>2 ZERO HUNGER</b></p>	<p><b>3 GOOD HEALTH AND WELL-BEING</b></p>	<p><b>4 QUALITY EDUCATION</b></p>	<p><b>5 GENDER EQUALITY</b></p>	<p><b>6 CLEAN WATER AND SANITATION</b></p>	<p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p>	<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p>
<p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p>	<p><b>10 REDUCED INEQUALITIES</b></p>	<p><b>11 SUSTAINABLE CITIES AND COMMUNITIES</b></p>	<p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p>	<p><b>13 CLIMATE ACTION</b></p>	<p><b>15 LIFE ON LAND</b></p>	<p><b>17 PARTNERSHIPS FOR THE GOALS</b></p>	

## Business with a Conscience

Samko remain committed to responsible waste management. The underlying concept is to 'reduce, reuse, and recycle'. We continuously enhance efficiency in our production process to increase our recovery rate to minimize waste. We utilize most of our production waste as feedstock for our boilers to power our plants and decompose the rest in several landfills. Waste oil produced from our production machinery are stored in a temporary shelter for hazardous waste before it is handled by our licensed third-party waste processors. We began implementing more robust data collection systems in 2020 and intend to continue improving our data collection processes to inform our continuous improvement programs. The Ministry of Environment and Forestry of the Republic of Indonesia established the Program for Pollution Control, Evaluation, and Rating ("**PROPER**"). In 2019, Samko's assembly plants in Balaraja and Jambi achieved the Blue level rating, signifying it has complied with all government mandated environmental regulations.

Our Group's dedication to finding a balance between business development, social progress and responsible environmental management is demonstrated by the following certifications we have attained:

- Japan Agricultural Standard ("**JAS**")
- Indonesian Timber Legality Assessment System ("**TLAS**") / Sistem Verifikasi Legalitas Kayu ("**SVLK**")
- ISO9001
- ISO14001
- Verification of Legal Compliance ("**VLC**") from Rainforest Alliance
- California Airborne Resource Board ("**CARB**") Phase 2 & US EPA
- Singapore Green Label from Singapore Environment Council
- Corporate member of Green Building Council Indonesia
- Chain of Custody Forest Stewardship Council ("**CoC-FSC**")
- CE Marking

With these certifications, the Group is able to strengthen its brand identity as well as explore new avenues to meet the rapidly increasing demand for certified processed timber products. We are continuously engaging in monitoring efforts to ensure that we comply to the standards to produce high quality products.

The Group conducts the business in a manner which places people at the core of what we do. As a labor-intensive company operating in developing and remote regions, forced labor and child labor are prominent risks in our industry. Samko has a strict policy against forced labor and child labor of any form in all of our operations. We treat every employee in a fair and equal manner, regardless of their background, ethnicity, religion or race. All policies, guidelines and company rules are universally applicable to all position levels to ensure a corporation based on integrity, transparency, and professional behavior.

In regards to occupational health and safety, the company reinforces the importance of compliance with standard working procedure for all employees in the organization. We comply with national manpower laws and government regulations and also provide benefits such as: health insurance, BPJS Kesehatan (Government Health Security), BPJS Ketenagakerjaan (Government National Social Security), pension fund for permanent employees, maternity leave and childbirth benefits.

The group has various training programs in place to equip our employees with the necessary hard and soft skills required to excel at their respective roles. Training and educational programs conducted throughout 2020 included managerial skills, non-technical skills, technical skills and functional skills. In addition, we consistently manage our employee performance assessment to identify relevant training in order to improve employee performance. The company intends to launch Batch V of the Operational Acceleration Program (OAP) in 2021. It will focus on the company's expansion into the plantation and production functions based in Mangole, North Maluku.

### Think Globally, Act Locally

As one of the biggest group timber companies in Indonesia, we require an extensive and varied supply of logs. All of Samko's logs are sourced from legal concession areas in Indonesia, with 90% of our wood sourced from community forests (Hutan Rakyat) and plantation forests (Hutan Tanaman Industri). We have approximately 1,500 suppliers who are actively involved in developing and shaping the plywood industry. We run an annual seed distribution program that targets surrounding communities to support forest regeneration. This program secures Samko raw materials, improves the livelihoods of local communities and also ensures continuity of forest growth. We take it upon ourselves to create new commercial growing areas and seek out new sources of plantation wood. We are stringent in ensuring that our raw materials are supplied only by vendors who have met the requisite operating and technical standards imposed by the various governmental and non-governmental organizations.

As a member of the Forest Stewardship Council (FSC) economic chamber, Samko directly contribute to FSC standards and shape the future of responsible forestry. We have obtained the FSC Chain of Custody certification (FSC-CoC) certification for our facility in Jambi and Jombang, and the FSC Small and Low Intensity Managed Forests (FSC-SLIMF) certification for our raw materials in Jambi. We support smallholders' cooperatives to apply for and guide them to obtaining FSC-SLIMF certification. Through this program, we ensure that our suppliers maintain a healthy forest with responsible management plans, while we receive a steady and sustainable supply of FSC-certified raw materials. These FSC-SLIMF certified logs will then be processed in our FSC-CoC certified facility to produce FSC certified products. Our certifications in Jambi and Jombang are only the beginning of our sustainability journey and are testament to our commitment in being a responsible industry player. Towards the end of 2020, we began to expand our support of smallholder cooperatives to our suppliers in the Jambi, Jombang and Salatiga regions, with the aim of building a wider family of suppliers whose raw materials are FSC certified.



# Grow Today, Build Tomorrow

The Group is committed to supporting community-based activities which are both in line with our business objectives and beneficial to the communities within our areas of operations. The Group plans to shift its community engagement strategy towards creating partnerships with local communities to develop our environmental and sustainability programs. The Group is involved in various voluntary activities throughout the year:

- Contributing free seedlings to surrounding communities to foster a green culture and encourage involvement in certification program
- Offering scholarships to best performing students
- Offering subsidized school fees to surrounding communities

- Contributing to the construction of public facilities, including mosques, churches, health clinics, and roads in the vicinity of our factories
- Partnership with local communities to reuse and recycle wood wastes
- Supporting various social activities conducted surrounding our factories

As a responsible timber processing Group, we are committed to ensuring the long-term sustainable business, the communities we operate in, and our business venture in a just and ethical manner. More information regarding the Group's efforts in adopting sustainable growth strategies can be found in our Sustainability Report 2020.



## CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Samko Timber Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) recognize the importance of sound corporate governance practices and are committed to setting and maintaining high standard of corporate governance to ensure greater corporate transparency, accountability, performance and integrity.

This report describes the key aspects of the Company’s corporate governance framework and practices that were in place throughout the financial year ended 31 December 2020 (“**FY2020**”), with specific reference made to the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”) and accompanying practice guidance (the “**Practice Guidance**”), which form part of the continuing obligations of the listing rules (the “**Listing Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), through effective self-regulatory corporate practices to protect and enhance the interests and value of its shareholders.

The Board is pleased to confirm that for FY2020, the Company has complied with the principles and provisions as set out in the Code and the Practice Guidance, where applicable. In areas where the Company’s practices vary from any of the provisions of the Code and the Practice Guidance, the Company has stated herein the provision of the Code and the Practice Guidance (as applicable) from which it has varied, and appropriate explanations are provided for the variations, and how the practices the Company had adopted are consistent with the intent, aim and philosophy of the relevant principles of the Code and the Practice Guidance. The Company will continue to assess its needs and implement appropriate practices accordingly.

### (I) BOARD MATTERS

#### **THE BOARD’S CONDUCT OF ITS AFFAIRS**

**Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.**

##### Provision 1.1

#### **Principle Duties of the Board**

The Board oversees the business affairs of the Group and is responsible for setting the strategic direction of the Group establishing goals for management team of the Company (“**Management**”). In addition, the Board works with Management to achieve these goals set for the Group.

Apart from the statutory responsibilities, the Board is responsible for the overall management of the Group and the review and monitoring of the Group’s operations, including:

- (a) The review of the Group’s financial performance;
- (b) Consider sustainability issues as part of the Group’s strategic formulation;
- (c) Responsibility for corporate governance;
- (d) Establish a framework of prudent and effective controls which enable risks to be assessed and managed;
- (e) Review management performance;
- (f) Set the Group’s corporate values and standards which include ethical standards and ensure that obligations to shareholders and others are understood and met; and
- (g) Ensure that the Group maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the Group’s assets.

## CORPORATE GOVERNANCE STATEMENT

All Directors exercise reasonable diligence and independent judgement when making decisions and are obliged to act honestly and consider the best interests of the Company at all times.

### ***Code of Conduct and Ethics***

The Company strives to uphold the highest levels of business conduct and integrity in all transactions and interactions. All Directors objectively discharge their duties and responsibilities at all time as fiduciaries in the interests of the Company. The Company is committed to ensuring that its affairs are conducted with the highest standard of probity and in compliance with any applicable law, legislation or Listing Rules of the SGX-ST.

Directors are encouraged to bring questions about particular circumstances that may implicate one or more provisions of the business conducts and ethics to the attention of the Board. No code or policy can anticipate every situation that may arise. Accordingly, each Director must carry out their duties and responsibilities, including but not limited to:

- (a) Avoid any conflicts of interest with the Company;
- (b) Maintain confidential or proprietary information about the Company or other parties that have dealings with the Company;
- (c) Comply with the Company's guidelines and all laws, rules and regulations applicable to the Company;
- (d) Endeavor in any dealing with the Company's customers, suppliers, competitors and employees in a fair manner;
- (e) Practice and promote ethical behavior and encourage the employees of the Company to report any illegal or unethical behavior to the Board; and
- (f) Communicate any suspected violations promptly to the Board so that investigation can be carried out and appropriate action will be taken.

This serves as a guide to the Directors on the areas of ethical risk and sets a framework where integrity and accountability are paramount.

### ***Conflict of Interests***

The Board acts in good faith and in the best interests of the Company by exercising due care, skills and diligence, and avoiding conflicts of interest. The Directors are cognizant of their fiduciary duties at law. When a potential conflict of interest situation arises, the affected Director will recuse himself or herself from the discussion and decisions involving the areas of potential conflict, unless the Board is of the opinion that his or her participation is necessary. Where such participation is permitted, the conflicted Director excuses himself or herself for an appropriate period during the discussions to facilitate full and frank exchange by the other Directors, and shall in any event recuse himself or herself from the decision-making.

Pursuant to Section 156 of the Companies Act, Cap. 50 ("**Companies Act**"), each Director is required to declare if he or she have conflict of interest in any of the corporate transactions. Each Director is also required to submit details of his or her associates for the purpose of monitoring interested persons transactions annually. Where a Director has a conflict or potentially conflict of interest in relation to any matter, he or she should immediately declare his or her interest when the conflict-related matter is discussed, unless the Board is of the opinion that his or her presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he or she is abstained from voting in relation to the conflict-related matters.

## CORPORATE GOVERNANCE STATEMENT

### Provision 1.2

#### ***Director Competencies***

All Directors have a good understanding of the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors).

While the duties imposed by law are the same for all Directors, a listed Board will generally have different classes of directors with different roles:

- **Executive Directors (EDs)** are members of Management who are involved in the day-to-day running of the business. They work closely with the Non-Executive Directors on the long-term sustainability and success of the businesses. They provide insights and recommendations on the Group's operations at the Board and Board committees meetings.
- **Non-Executive Directors (NEDs)** do not participate in the business operations. They constructively challenge Management on its decisions and contribute to the development of the Group's strategic goals and policies. They participate in the review of Management's performance in achieving the strategic objectives as well as the appointment, assessment and remuneration of the Executive Directors and key personnel.
- **Independent Directors (IDs)** are Non-Executive Directors who are unrelated to any of the Executive Directors and deemed to be impartial by the Board. Independent Directors have similar duties as the Non-Executive Directors, with the additional responsibility of providing independent and objective advice and insights to the Board and Management.

Directors are expected to develop their competencies to effectively discharge their duties and are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense.

#### ***Directors' Orientation and Training***

The Board recognises the importance of appropriate orientation training and continuing education for its Directors. All the Directors are encouraged to attend seminars, conferences or any courses in connection to new laws, regulations and risk management (including management of commercial, financial, operational and compliance risks and information technology controls) conducted by professional bodies, including active participation in the Singapore Institute of Directors ("**SID**").

Where required, the Company Secretary and external professionals bring to the Directors' attention relevant updates in the industry and changes in accounting standards and regulations.

The Directors and executive officers should have appropriate experience and expertise to manage the Group's business. For new Directors who has no prior experience as a director of a public listed company listed on the SGX-ST, they will undergo training in the roles and responsibilities of a director of a public listed company in Singapore as prescribed by the SGX-ST.

Newly appointed Directors are given orientation briefings by Management on the business activities of the Group and its strategic directions, so as to familiarize them with the Group's operations and encourage effective participation in Board's discussions. All Directors are updated on major milestones of the Group.



## CORPORATE GOVERNANCE STATEMENT

Mr Ito Sumardi and Mr Hadi Daryanto, who were appointed as Independent Directors of the Company on 1 April 2021, had attended the training course “Board and Director Fundamentals” conducted by SID, which provides a broad-based understanding of the statutory and fiduciary duties and responsibilities of directors along with an overview of the regulatory environment and the corporate governance landscape in Singapore.

### Provision 1.3

#### ***Matters Requiring Board's Approval***

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Under the guidelines, all new investments, any increase in investment in businesses and subsidiaries, and any divestments by any of the Group's companies, and all commitments to term loans and lines of credit from banks and financial institutions by the Company require the approval of the Board.

In addition, the following matters are specifically reserved for the Board's decision and approval:

- Financial results announcements;
- Annual reports and financial statements;
- Nomination/appointment of Directors and key management personnel (“**KMPs**”);
- Major funding proposal;
- Corporate strategies and financial restructuring; and
- Major investment or acquisition/disposal proposals, including any other transactions of a material nature requiring announcements under the listing manual (the “**Listing Manual**”) of the SGX-ST.

### Provision 1.4

#### ***Delegation by the Board***

To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its committees. The Board is supported by four Board committees, namely, the Audit Committee (the “**AC**”), the Nomination Committee (the “**NC**”), the Remuneration Committee (the “**RC**”) and the Board Risk Committee (the “**BRC**”) (collectively, the “**Board Committees**”). Each Board Committee has its own specific terms of reference (the “**Terms of Reference**”) setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken. The Chairman of the respective Board Committees will report to the Board on the outcome of the committees' meetings and their recommendations on the specific agendas mandated to the committees by the Board.

The Board Committees, which operate within clearly defined Terms of Reference, are actively engaged and play important roles in ensuring good corporate governance.

## CORPORATE GOVERNANCE STATEMENT

### Provision 1.5

#### Board and Board Committees Meetings

On 7 February 2020, SGX had implemented new approach to quarterly reporting. After this implementation, the Company no longer required to report earnings on a quarterly basis. Therefore, the Board conducts at least two meetings on a half yearly basis to review the Group's financial results and where necessary, additional Board meetings are held to address significant issues or transactions.

During FY2020, the Board met two times to review the Company's half year and full year results and to consider proposed corporate actions by the Company. Ad-hoc meetings are held to address significant issues or transactions. In addition to the scheduled meetings, the Board would have informal discussions on corporate events and/or actions, which would then be formally confirmed and approved by circulating resolutions in writing. The Board members also communicate frequently with Management to discuss the business operations of the Group.

The Company's Constitution allow a Board meeting to be conducted by way of a telephone conference and/or by means of similar communication equipment where all Directors participating in the meeting are able to hear each other. Decision of the Board and Board Committees may also be obtained through circular resolutions.

The attendance of the Directors at the Board and Board Committees meetings as well as the general meetings held in 2020 is set out in the table below:

	Board Committees					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Board Risk Committee	General Meeting
<b>No. of meetings held</b>	2	2	1	1	2	1
<b>Name of Director</b>	<b>No. of meetings attended</b>					
Eka Dharmajanto Kasih	2	2*	1*	1*	2	1
Riko Setyabudhy Handoko	2	2*	1*	1*	2	1
Michael Joseph Sampoerna	2	-	-	-	-	1
Ng Cher Yan	2	2	1	1	2	1
Sim Idrus Munandar	2	2	1	1	2	1
Wee Ewe Lay Laurence John	2	2	1	1	2	1
Ito Sumardi	N.A.#	N.A.#	N.A.#	N.A.#	N.A.#	N.A.#
Hadi Daryanto	N.A.#	N.A.#	N.A.#	N.A.#	N.A.#	N.A.#

\* Attendance by invitation of the relevant Board Committees

# Appointed on 1 April 2021



## CORPORATE GOVERNANCE STATEMENT

The Board is of the view that the contribution of each Director should not be focused only on his or her attendance at meetings of the Board and/or Board Committees. A Director's contribution may also extend beyond the confines of the formal environment of such meetings, through the sharing of views, advices, experiences and strategic networking relationships which would further the interests of the Company.

### ***Multiple Board Representations***

All Directors are required to declare their board representations on an annual basis and as soon as is practicable after the relevant facts have come to his or her knowledge. When a Director has multiple board representations, the NC considers whether or not the Director is able to and has adequately carried out his or her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.

Based on the individual Director's confirmation provided to the NC in FY2020 on his ability to carry out his duties as a Director of the Company and to address any competing time commitments that may arise, the NC believes that it would not be necessary to put a maximum limit on the number of listed company board representations of each Director. The Board and the NC will review the requirement to determine the maximum number of listed company board representations as and when they deem fit.

The NC has evaluated the competing time commitments faced by Directors serving on multiple boards during FY2020 and is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company, as well as sufficient time and attention are given to the affairs of the Company, after taking into consideration each of the Directors' number of listed company board representations and other principal commitments in FY2020.

### Provision 1.6

### ***Access to Information***

The Board is free to request for further clarification and information from Management on all matters within their purview. The schedule of all the Board Committees' meetings for the financial year is usually given to all the Directors well in advance.

To enable the Board to function effectively and to fulfil its responsibilities, Management recognises its obligation to supply the Board and Board Committees with complete, adequate information in a timely manner. In addition, all relevant information on the Group's annual budgets, financial statements, material events and transactions complete with background and explanations are circulated to Directors as and when they arise. A system of communication between Management and the Board has been established and will improve over time.

Each Director has been provided with the up-to-date contact particulars of the Company's KMPs and the Company Secretary to facilitate access to any required information. The Company Secretary and her representatives attend all meetings of the Board and Board Committees and are responsible in ensuring that Board procedures and all other rules and regulations applicable to the Company are complied with.

The Board receive half yearly financial management reports, annual budgets and explanation pertaining to the operational and financial performance of the Group, including updates on the Group's financial performance and position, cash flow position and operational performance of the Group's assets.

## CORPORATE GOVERNANCE STATEMENT

The Board will also be updated on the industry trends and developments surrounding the Group's various business segments to enable them to oversee the Group's operational and financial performance as well as risks faced by the Group.

### Provision 1.7

#### ***Access to Management and Company Secretary***

The Directors have separate and independent access to Management and the Company Secretary, who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied, at all times through email, telephone and face-to-face meetings.

The Directors are also entitled to request for additional information and Management shall provide them on a timely basis. Any additional materials or information requested by the Directors to make informed decisions is promptly furnished.

The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees meetings. The Company Secretary and/or her representatives attends all meetings of the Board and Board Committees. The Company Secretary prepares the minutes after each meeting and ensures that good information flows within the Board and its Board Committees and between Management and Non-Executive Directors. The Company Secretary also facilitates the orientation of the Board and Management and assists with professional development as and when required. The appointment and removal of the Company Secretary is subject to approval of the Board as a whole.

#### ***Access to Independent Professional Advice***

In furtherance of their duties, the Directors, individually or as a group, may seek independent professional advice on matters relating to the businesses of the Group, at the Company's expense, subject to approval by the Board.

## **BOARD COMPOSITION AND BALANCE**

***Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.***

### Provision 2.1

#### ***Director Independence***

The criterion for independence is based on the definition set out in the Code and Practice Guidance, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 210(5)(d) of the Listing Manual of the SGX-ST. The Board considers an "independent" Director as one who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.



## CORPORATE GOVERNANCE STATEMENT

The NC conducted its annual review of the Directors' independence according to the Code and Rule 210(5)(d) of the Listing Manual of the SGX-ST. In its deliberation as to the independence of a Director, the NC takes into consideration whether a Director has any business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement in the best interest of the Company. The Independent Directors constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

For FY2020, the Independent Directors, Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John, have confirmed that they or their immediate family members do not have any relationship with the Company or any of its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company, and do not fall under any of the circumstances pursuant to Rule 210(5)(d)(i) and (ii) of the Listing Manual of the SGX-ST. The Independent Directors did not own shares of the Company and were not in foreseeable situation that could compromise their independence of thought and decision. The Board, based on the review conducted by the NC, has determined that the said Directors are independent.

### ***Duration of Independent Directors' Tenure***

The Board recognises that Independent Directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the Independent Directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board. Nevertheless, when there are Directors who have served beyond nine (9) years from the date of their first appointment, the Board will rigorously review their continuing contributions and independence and decide if they should continue with the appointment.

The Board noted that prior to 1 January 2022, Guideline 2.4 of the Code of Corporate Governance 2012 (the "**2012 Code**") shall apply to directors who have served on the Board beyond nine (9) years from the date of his or her first appointment and the independence of any of the directors should be subject to particularly rigorous review.

At the end of FY2020, Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John have served on the Board beyond nine (9) years from the date of their first appointment. The Board have subjected their independence to a particularly rigorous review by all the other fellow directors (with Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John abstaining from the review), before deciding if they should continue with the appointment. The NC and the Board have assessed the independence of each of these three (3) Directors using a holistic approach and taking into account their respective contributions in terms of experience, expertise, professionalism, integrity, objectively and independent judgement in their engagement with all relevant parties, rather than solely and arbitrarily on basis of length of service alone.

## CORPORATE GOVERNANCE STATEMENT

After due consideration and with the concurrence of the NC, the Board is of the view that Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John have demonstrated strong independent character and judgement over the years in discharging their duties and responsibilities as Independent Directors of the Company with the utmost commitment in upholding the interest of non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinised and challenged Management. They have sought clarification and amplification as deemed necessary, including through direct access to Management. Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John are serving in the respective Board Committees which require special skillset and experience. Their vast experience enables them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making especially with the challenges faced in this ongoing COVID-19 pandemic. They receive only a fixed Director's fee from the Company and do not have any relationships that could interfere with the exercise of their independent business judgement in the best interest of the Company. The NC has also conducted a review on the performance of Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John and considered that each of these three (3) Directors brings invaluable expertise, experience and knowledge to the Board and that they continue to contribute to the Board.

Taking into account of the above, the Board concurred with the view of the NC and has affirmed the independence status of Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John given that their length of service does not in any way interfere their ability to act in the best interests of the Company in exercising their independent judgement. Furthermore, they have fulfilled the definition of independent directors as required in the Code and Listing Manual of the SGX-ST. The Board trust that they are able to continue to discharge their duties independently with integrity and competency. Therefore, the Board resolved that Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John continue to be considered Independent Directors, notwithstanding that they have served on the Board beyond nine (9) years from the date of their first appointment.

Nonetheless, in line with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect on 1 January 2022, an Independent Director who has served on the Board for a cumulative period of nine (9) years from the date of their first appointment will no longer be eligible to be designated as an Independent Director unless approval is sought from the mandatory two-tier voting process in separate resolutions by (A) all shareholders; and (B) shareholders excluding Directors, CEO and their associates ("**Two-Tier Vote Resolutions**"), from shareholders present and voting at the annual general meeting ("**AGM**"). Such Two-Tier Vote Resolutions to remain in force until the earlier of (i) the retirement or resignation of the Director; or (ii) the conclusion of the third AGM of the Company. Any of the Independent Director(s) who does not pass the Two-Tier Vote Resolutions at the forthcoming AGM will no longer be independent and shall continue as Non-Independent Director(s) of the Company.

In respect of the forthcoming AGM of the Company, the Board has accepted the NC's recommendation that the continued appointment of Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John, who have served on the Board for an aggregate period of more than nine (9) years, to be sought from the Two-Tier Vote Resolutions by shareholders present and voting at the forthcoming AGM of the Company. However, Mr Wee Ewe Lay Laurence John, who is retiring pursuant to Article 94 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the SGX-ST, has decided not to offer himself for re-election and will retire at the conclusion of the forthcoming AGM so as to facilitate the ongoing Board renewal process in line with good governance practices.



## CORPORATE GOVERNANCE STATEMENT

Upon passing of the Two-Tier Vote Resolutions at the forthcoming AGM of the Company, the continued appointment of each Mr Ng Cher Yan and Mr Sim Idrus Munandar as an Independent Director of the Company shall continue in force until the earlier of: (i) their retirement or resignation as the Independent Directors; or (ii) the conclusion of the third AGM of the Company following the passing of the Two-Tier Vote Resolutions.

Rule 210(5)(c) of the Listing Manual of the SGX-ST, which will come into effect on 1 January 2022, states that the number of Independent Directors must comprise of at least one-third of the Board at any time and Provision 2.2 of the Code provides that Independent Directors to make up a majority of the Board where the Chairman is not independent. In the event that the Two-Tier Vote Resolutions for the continued appointment of the Independent Director(s) is/are not passed at the forthcoming AGM which renders the Company unable to meet these requirements, the Company shall make the necessary arrangement to comply with the relevant listing rules of the Listing Manual of the SGX-ST and the Code.

### Provision 2.2

#### ***Proportion of Independent Directors***

As at the date of this report, the Board consists of one (1) Executive Director and seven (7) Non-Executive Directors of which five (5) are Independent Directors. The Company has complied with Provision 2.2 of the Code as Independent Directors made up a majority of the Board where the Non-Executive Chairman is not independent.

The Board is able to exercise objective judgments on corporate affairs independently and constructively challenge key decision, taking into consideration the long-term interest of the Group and its shareholders. Further, the Company has in place an internal guideline for matters requiring Board's approval. Therefore, no individual or a small group of individuals be allowed to dominate the Board's decision making.

### Provision 2.3

#### ***Proportion of Non-Executive Directors***

A majority of seven (7) out of eight (8) Directors on the Board are Non-Executive Directors.

### Provision 2.4

#### ***Board Composition and Size***

As at the date of this report, the Board comprises the following eight (8) Directors, one (1) of whom is Executive Director and seven (7) of whom are Non-Executive Directors of which five (5) are Independent Directors:

#### Executive Director

Riko Setyabudhy Handoko      Chief Executive Officer ("CEO")

## CORPORATE GOVERNANCE STATEMENT

### Non-Executive Directors

Eka Dharmajanto Kasih	Non-Executive Chairman (“ <b>Chairman</b> ”)
Michael Joseph Sampoerna	Non-Independent Director
Ng Cher Yan	Lead Independent Director
Sim Idrus Munandar	Independent Director
Wee Ewe Lay Laurence John	Independent Director
Ito Sumardi*	Independent Director
Hadi Daryanto*	Independent Director

\*Appointed on 1 April 2021

The profiles of the Directors are set out on pages 12 to 16 of this Annual Report. The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group’s operations, the requirements of the businesses and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, believes that its current Board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity of skills, experience and knowledge of the Group without interfering with efficient decision-making.

### **Board Diversity**

The Board’s policy in identifying nominees for directorship is primarily to have an appropriate mix of expertise with complementary skills, core competencies and experience for facilitating effective decision making. Each Director has been appointed based on his or her skills, experience and knowledge, and is expected to bring forth his or her experience and expertise to the Board for the continuous development of the Group.

The Directors of the Company come from diverse backgrounds and possess core competencies, qualifications and skills, all of whom as a group, provides the Board with a good mix of the necessary experience and expertise to direct and lead the Group. Their combined wealth and diversity of experience enable them to contribute effectively to the strategic growth and governance of the Group.

### **Board Guidance**

An effective and robust Board, whose members engage in open and constructive debate and challenge Management on its assumptions and proposals, is fundamental to good corporate governance. A Board should also aid in the development of strategic proposals and oversee effective implementation by Management to achieve set objectives.

The Directors, in particular the Non-Executive Directors, are kept informed of the Company’s business and affairs as well as about the industry in which the Company operates in. This knowledge is essential for the Directors to engage in informed and constructive discussions. To ensure that Non-Executive Directors are well supported by accurate, complete and timely information, Non-Executive Directors have unrestricted access to Management. Besides receiving regular Board briefings on latest market developments and trends, and key business initiatives, periodic information papers, industry and market reports, the Non-Executive Directors are regularly briefed by Management on major decisions and prospective business deals.



## CORPORATE GOVERNANCE STATEMENT

### Provision 2.5

#### ***Meeting of Independent Directors without Management***

Although all Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and rigorously examined, assessing the performance of Management in meeting the agreed goals and objectives, as well as monitoring the reporting of performance.

The Independent Directors are encouraged to meet regularly without the presence of Management, so as to facilitate a more effective check on Management. During FY2020, the Independent Directors have met informally at least once without the presence of Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of Directors and KMPs. Thereafter, the Chairman of such meeting will provide feedback to the Board and/or Chairman of the Company as appropriate.

#### **ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

***Principle 3: There is a clear division of responsibilities between the leadership of the Board and the Management, and no one individual has unfettered powers of decision-making.***

### Provision 3.1

#### ***Separation of the Role of Chairman and CEO***

The Chairman of the Board and the CEO should in principle be separate persons to maintain an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision making. There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the leadership of the Board and Management responsible for managing the Group's business operations. Mr Eka Dharmajanto Kasih is our Chairman and Mr Riko Setyabudhy Handoko is our CEO.

### Provision 3.2

#### ***Role of Chairman and CEO***

Different individuals assumed the Chairman's and the CEO's roles and the division of responsibilities between the Chairman and the CEO have been clearly established:

- (a) To maintain effective supervision and ensure a balance of power and authority; and
- (b) To ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Chairman, Mr Eka Dharmajanto Kasih, brings with him a wealth of experience, leads the Board and bears responsibility for the working of the Board. He ensures that the Board receives accurate, timely and clear information and that the Board meetings are held as and when necessary, and sets agenda of the Board meetings in consultation with the other Directors and Management. He assists in ensuring compliance with the Group's guidelines on corporate governance and facilitating the effective contribution of Non-Executive Directors.

## CORPORATE GOVERNANCE STATEMENT

The CEO, Mr Riko Setyabudhy Handoko, has full executive responsibilities in the business directions and operation efficiency of the Group. He oversees execution of the Group's corporate and business strategies and is responsible for the day-to-day running of the business. The performance and remuneration package of the CEO is reviewed periodically by the NC and RC. As the majority of the members of the Board Committees comprises Independent Directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

### Provision 3.3

#### ***Lead Independent Director***

The Board has a Lead Independent Director, Mr Ng Cher Yan, to provide leadership in situations where the Chairman, who is not independent, is conflicted. The Lead Independent Director is a key member of the Board, representing the views of the Independent Directors and facilitating a two-way flow of information between shareholders, the Chairman and the Board.

The Lead Independent Director's role may include chairing Board meetings in the absence of the Chairman, working with the Chairman in leading the Board, and providing a channel to Non-Executive Directors for confidential discussions on any concerns and to resolve conflicts of interest as and when necessary.

In addition, the Lead Independent Director may also help the NC conduct annual performance evaluation and development of succession plans for the Chairman and CEO.

The Lead Independent Director also makes himself available at all times when shareholders have concerns and for which contact through the normal channels of the Chairman, the CEO or Management have failed to resolve or is inappropriate. The Lead Independent Director makes himself available to shareholders at the Company's general meeting.

There were no query or request on any matters which requires the Lead Independent Director's attention received in FY2020.

#### ***Independent Director Meetings in Absence of Other Directors***

Where necessary, the Lead Independent Director shall lead the meetings among the Independent Directors without the presence of other Directors. The Lead Independent Director shall provide feedback to the Chairman of the meeting after such meetings, if it is necessary. During FY2020, the Independent Directors have met unofficially at least once to discuss the Company's matters without the presence of the other Directors, and the Lead Independent Director has also provided the feedback to the Chairman after such meetings.

### **BOARD MEMBERSHIP**

***Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

### Provision 4.1

#### ***Roles and Duties of NC***

The Board established the NC with written Terms of Reference which clearly set out its authority and duties, and report to the Board directly.



## CORPORATE GOVERNANCE STATEMENT

The responsibilities and principal functions of the NC, as set out in its Terms of Reference, include:

- (a) regularly and strategically review the structure, size and composition (including the skills, gender, age, qualification, experience and diversity) of the Board and Board Committees (taking in account Rule 210(5)(c) of the Listing Manual of the SGX-ST and the Provisions 2.1 to 2.4 of the Code). It will then recommend changes, if any, to the Board.
- (b) responsible for identifying and nominating candidates to fill Board vacancies as they occur. Specifically, the NC shall:
  - (i) Consider candidates from a wide range of backgrounds.
  - (ii) Consider candidates on their own merits and evaluate against objective criteria such as their experience, knowledge, gender, age and skills in relation to the needs of the Board; and whether the candidates will add diversity to the Board and whether they are likely to have adequate time to discharge their duties.
  - (iii) Consider the composition and progressive renewal of the Board or Board Committees.
  - (iv) Appoint an independent third party to source and screen candidates, if necessary.
- (c) Before recommending an appointee to the Board, the NC shall request him/her to disclose any existing or expected future business interests that may lead to a conflict of interest. This disclosure is to be included in any recommendations to the Board.
- (d) Following the Board's confirmation, the NC will send the newly-appointed Director a formal appointment letter which clearly sets out his/her roles and responsibilities, authority, and the Board's expectations in respect of his/her time commitment as a Director of the company.
- (e) recommends the membership of the Board Committees to the Board.
- (f) reviews the independent status of NEDs (in accordance with Rules 210(5)(d)(i), (ii), and (iii) of the Listing Manual of the SGX-ST and the Provision 2.1 of the Code) and that of the Alternate Director, if applicable, annually, or when necessary, along with issues of conflict of interest. If the NC considers that a Director who has one or more of the relationships mentioned under Rules 210(5)(d)(i) and (ii) of the Listing Manual of the SGX-ST and the Provision 2.1 of the Code, is nevertheless independent, the NC should provide its views to the Board for the Board's consideration. If the NC considers that a Director is not independent even if he/she does not fall within the circumstances mentioned under Rules 210(5)(d)(i) and (ii) of the Listing Manual of the SGX-ST and the Provision 2.1 of the Code, it shall also similarly provide its views to the Board for the Board's consideration.
- (g) develops the performance evaluation framework for the Board, the Board Committees and individual Directors. The NC should also propose objective performance criteria for the Board, the Board Committees and individual Directors. It conducts the evaluations, analyses the findings and reports the results to the Board. The NC will also recommend areas that need improvement. This process can be assisted by independent third party facilitators.
- (h) recommend that the Board removes or reappoints a NED at the end of his/her term. It may also recommend that shareholders re-elect Directors under the provisions of the Company's Constitution on the policy of retirement by rotation. In making these recommendations, the NC should consider the Director's performance, commitment and his/her ability to continue contributing to the Board.

## CORPORATE GOVERNANCE STATEMENT

- (i) review other directorships held by each Director and decide whether or not a Director is able to carry out, and has been adequately carrying out, his/her duties as a Director, taking into consideration the Director's number of listed company directorships and principal commitments, and the NC may in its discretion determine the maximum number of listed company directorships which any Director may hold.
- (j) identify and develop training programmes/schedules for the Board and assist with similar programmes for the Board Committees; and ensure that all Board appointees undergo appropriate induction programme.
- (k) review and ensure that there is a clear division of responsibilities between the Chairman and CEO of the Company in place.
- (l) provide the Board with its succession plans for the Board Chairman, Directors, CEO and KMPs of the Company.
- (m) keep up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates.
- (n) undertake such other functions and duties as may be required by the Board under the Code, statute or the Listing Manual of the SGX-ST (where applicable).

### Provision 4.2

#### **NC Composition**

As at the date of this report, the NC comprises the following three (3) members, all of whom, including the NC Chairman, are Non-Executive and Independent Directors, and one (1) of whom is the Lead Independent Director:

Sim Idrus Munandar	Chairman
Ng Cher Yan	Member
Wee Ewe Lay Laurence John	Member

### Provision 4.3

#### **Nomination and Selection of Directors**

Where a vacancy arises pursuant to an expansion of the Board or such other circumstances as they may occur, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The search for a suitable candidate is drawn from the contacts and networks of existing Directors. The NC can also approach relevant institutions such as the SID, professional organisations or business federations to source for a suitable candidate. New Directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board and the Board approves such appointment.

## CORPORATE GOVERNANCE STATEMENT

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors, amongst others, to consider succession planning and refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new Director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy.

### **Re-election of Directors**

In accordance with Article 94 of the Company's Constitution, every Director shall retire from office once every three (3) years and at each AGM, one-third of the Directors shall retire from office by rotation. In addition, Article 95 provides that the retiring Directors are eligible to offer themselves for re-election and Article 100 provides that all newly appointed Directors shall hold office only until the next AGM and are eligible to offer themselves for re-election.

With effect from 1 January 2019, all Directors, including the Managing Director, must submit themselves for re-nomination and re-appointment at least once every three (3) years, in accordance with Rule 720(5) of the Listing Manual of the SGX-ST.

In respect of re-nominations, the NC will consider the individual Director's contribution and performance and whether the Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations.

Accordingly, the Board has accepted the NC's nomination of the retiring Directors who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Directors at the forthcoming AGM of the Company are:

- (a) Mr Sim Idrus Munandar and Mr Wee Ewe Lay Laurence John will retire pursuant to Article 94 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the SGX-ST; and
- (b) Mr Ito Sumardi and Mr Hadi Daryanto, newly appointed Directors on 1 April 2021, will retire pursuant to Article 100 of the Constitution of the Company.

Mr Sim Idrus Munandar will, upon re-election as a Director of the Company, remain as the Chairman of the NC and BRC and a member of the AC and RC respectively and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

As part of the ongoing Board renewal process in line with good governance practices, Mr Wee Ewe Lay Laurence John, who joined the Board as an Independent Director in December 2007, has decided not to offer himself for re-election and will retire at the conclusion of the forthcoming AGM of the Company after serving on the Board for fourteen (14) years.

In making the recommendation, the NC has considered the Directors' overall contributions and performance. Each member of the NC shall abstain from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of their own performance or re-election as a Director.



## CORPORATE GOVERNANCE STATEMENT

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the retiring Directors as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST is disclosed below:

<b>Name of Director</b>	<b>Sim Idrus Munandar</b>	<b>Ito Sumardi</b>	<b>Hadi Daryanto</b>
Date of Appointment	14 December 2007	1 April 2021	1 April 2021
Date of last re-appointment (if applicable)	27 April 2018	Not applicable	Not applicable
Age	66	68	63
Country of principal residence	Indonesia	Indonesia	Indonesia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Sim Idrus Munandar as the Non-Executive and Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company	The re-election of Mr Ito Sumardi as the Non-Executive and Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company	The re-election of Mr Hadi Daryanto as the Non-Executive and Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Independent Director Nomination Committee (Chairman) Board Risk Committee (Chairman) Audit Committee (Member) Remuneration Committees (Member)	Non-Executive and Independent Director Board Risk Committee (Member)	Non-Executive and Independent Director Board Risk Committee (Member)

## CORPORATE GOVERNANCE STATEMENT

Name of Director	Sim Idrus Munandar	Ito Sumardi	Hadi Daryanto
Professional qualifications	Bachelor's degree in Economics	Doctoral of Law Master of Law Master of Human Resources Management Master of Business Administration Bachelor of Law Bachelor of Police Science	Bachelor's Degree of Forest Management Diplome Etudiante D'approfondies (D.E.A), Wood Science Doctor Ingenieur (Dr. Ing), Advanced Wood Science & Tech
Working experience and occupation(s) during the past 10 years	Lecturer at the Sekolah Tinggi Ekonomi (STIE) Jayakarta - 1981 to 2014	Ambassador of LBBP for the Republic of Myanmar – 2014 to 2019  Head of Criminal Detective Division of Police Headquarter – 2009 to 2011	Chief of Commissioner Assembly S.O.E Perum Perhutani – 2009 to 2015  Secretary General of Ministry of Forestry – 2010 to 2015  Member task force Reducing Emissions from Deforestation and Forest Degradation (President Decree No.19/2010 and 25/2011) – 2011 to 2012  Director General of Social Forestry and Partnership, Ministry of Environment and Forestry – 2015  Member Board of Trustee RECOFTC /The Center for People and Forest, Bangkok – 2016 to 2020  Pension and as Senior Advisor to Minister of Environment and Forestry – 2017 to 2018  Social Forestry Public Policy Consultant at Partnership Government Reform, Indonesia – Norway - 2018

## CORPORATE GOVERNANCE STATEMENT

<b>Name of Director</b>	<b>Sim Idrus Munandar</b>	<b>Ito Sumardi</b>	<b>Hadi Daryanto</b>
Shareholding interest in the listed issuer and its subsidiaries	No	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes



## CORPORATE GOVERNANCE STATEMENT

Name of Director	Sim Idrus Munandar	Ito Sumardi	Hadi Daryanto
<b>Other Principal Commitments* including Directorships#</b>			
* "Principal Commitments" has the same meaning as defined in the Code.			
# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)			
Past (for the last 5 years)	Not applicable	Not applicable	Member of Board of Trustee RECOFTC - The Center for People and Forest in Bangkok, Thailand (an International NGO)
Present	Independent Director of Kencana Agri Limited	President Commissioner of PT Paramount Land	None
	Independent Commissioner of PT Kencana Energi Lestari Tbk	Independent Commissioner of PT Japfa Comfeed Tbk	
		Independent Commissioner of PT Tiga Pilar Sejahtera Food Tbk	
		Independent Commissioner of PT Sumber Graha Sejahtera	
		Independent Member of Supervisory Board of KSP Sampoerna	

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
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## CORPORATE GOVERNANCE STATEMENT

Name of Director	Sim Idrus Munandar	Ito Sumardi	Hadi Daryanto
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No

## CORPORATE GOVERNANCE STATEMENT

Name of Director	Sim Idrus Munandar	Ito Sumardi	Hadi Daryanto
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

**CORPORATE GOVERNANCE STATEMENT**

<b>Name of Director</b>	<b>Sim Idrus Munandar</b>	<b>Ito Sumardi</b>	<b>Hadi Daryanto</b>
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

## CORPORATE GOVERNANCE STATEMENT

Name of Director	Sim Idrus Munandar	Ito Sumardi	Hadi Daryanto
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—	No	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No

## CORPORATE GOVERNANCE STATEMENT

Name of Director	Sim Idrus Munandar	Ito Sumardi	Hadi Daryanto
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No

## CORPORATE GOVERNANCE STATEMENT

Name of Director	Sim Idrus Munandar	Ito Sumardi	Hadi Daryanto
<p>(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No	No
<p>Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	<p>Mr Sim is the Independent Director of Kencana Agri Limited</p>	<p>Mr Sumardi has attended training on the roles and responsibilities as a Director of the Company as prescribed by the Exchange, namely Board and Director Fundamentals, conducted by SID.</p>	<p>Mr Daryanto has attended training on the roles and responsibilities as a Director of the Company as prescribed by the Exchange, namely Board and Director Fundamentals, conducted by SID.</p>



## CORPORATE GOVERNANCE STATEMENT

### ***Alternate Director***

During FY2020, there were no alternate Director on the Board.

#### Provision 4.4

### ***Continuous Review of Directors' Independence***

The Company has put in place a process to ensure the continuous monitoring of the independence of the Directors whereby the Directors must immediately report any changes in their external appointments that could affect their independence on the Board.

The NC reviews the independence of each Director annually in accordance with the definition of independence in the Code, Practice Guidance and Rule 210(5)(d) of the Listing Manual of the SGX-ST. Each Independent Director has submitted their confirmation of independence for the NC's reviews on an annual basis. For FY2020, the NC has reviewed and confirmed the independence of the Independent Directors of the Company, Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John, the Board is of the view that they are independent, taking into account the circumstances set forth in the Code, Rule 210(5)(d) of the Listing Manual of the SGX-ST and any other salient factors.

#### Provision 4.5

### ***Onboarding Process for New Director***

The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a Director of the company.

A formal letter of appointment is provided to the newly appointed Directors setting out their duties and obligations as a Director in respect of potential conflicts of interests, their interested person transactions and disclosure of Director's interests.

### ***Directors' Time Commitments***

Each Director is required to confirm annually to the NC as to whether he or she has any issue with competing time commitments which may impact his or her ability to provide sufficient time and attention to his or her duties as a Director of the Company. Based on the Directors' annual confirmation and the Directors' commitments and contributions to the Company, which are also evident in their level of attendance and participation at the Board and Board Committees' meetings, the NC and the Board are satisfied that all the Directors were able to and have been adequately carrying out their duties as Directors of the Company in FY2020.

In addition to the current procedures for the review of the attendance records and analysis of directorships, a policy has also been put in place for the Directors to notify the Board of any changes in their external appointments. This would allow the Director to review his or her time commitments with the proposed new appointment and in the case of an Independent Director, to also ensure that his or her independence would not be affected.



## CORPORATE GOVERNANCE STATEMENT

Information in respect of the directorship or chairmanship and other principal commitments, both present in other listed companies, is set out in the “Board of Directors” section of the Annual Report. In addition, information on shareholdings in the Company and its related companies held by each Director is set out in the “Directors’ Statement” section of the Annual Report.

### **BOARD PERFORMANCE**

***Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.***

Provision 5.1 and 5.2

#### **Performance Criteria**

The Board, through the NC, has used its best effort to ensure that Directors appointed to the Board and Board Committees, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group’s business. It has also ensured that each Director, with his or her special contributions, brings the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The NC has been tasked to assist the Board to develop a performance evaluation framework for the Board, Board Committees and individual Directors, proposed performance criteria and assist in the conduct of the evaluation, analyses the findings and reports the results to the Board.

The NC, together with the Board, has established a formal process setting out the performance criteria for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each individual Director to the effectiveness of the Board to align with the applicable principles and provisions set out in the Code.

The assessment parameters for each Director include his or her knowledge and abilities, attendance records at the meetings of the Board and Board Committees, and the intensity and quality of participation at meetings. The NC and the Board have relied on the abovementioned parameters to evaluate the Directors’ contribution individually and have taken such evaluation into consideration for the re-nomination of the Directors.

On an annual basis, all the Directors are required to complete the following:

- (a) Board Performance Evaluation Questionnaire;
- (b) Individual Director Self-Assessment Form;
- (c) Board Committees Performance Evaluation Questionnaire; and
- (d) Board Competency Matrix.

For FY2020, the NC conducted a formal review of the performance evaluation of the Board, Board Committees and individual Directors, by way of circulating the questionnaires to the Board and Board Committees and self-assessment form to each individual Director for completion. The summary of findings of each evaluation together with the feedback and recommendations from the Board, Board Committees and each individual Director had been discussed and reviewed by the NC.

## CORPORATE GOVERNANCE STATEMENT

### **Board Evaluation Process**

The evaluation serves to assess the effectiveness of the Board as a whole on the following parameters:

- (a) Board composition;
- (b) Board conduct of affairs;
- (c) Internal controls and risk management;
- (d) Board accountability;
- (e) CEO performance; and
- (f) Standard of conduct of the Board.

Based on the summary of findings of the evaluation for FY2020 together with the feedback and recommendations from each Director, the NC is satisfied that the Board as a whole had met its performance objective in FY2020.

### **Board Committees Evaluation Process**

The evaluation serves to assess the effectiveness of the Board Committees on the following parameters:

- (a) Establishment of the Board Committees including the membership and duties as recommended by the Code;
- (b) Objective and duties as required under each terms of reference;
- (c) Meetings and participation;
- (d) Authority to investigate;
- (e) Access to any information and full discretion to invite any Director or executive officer to attend its meetings;
- (f) Support to enable each member to discharge its functions properly;
- (g) Duties performed as required under the relevant principles and provisions of the Code; and
- (h) Training and resources.

Based on the summary of the evaluation for FY2020 together with the feedback and recommendations from members of the respective Board Committees, the NC is satisfied that each of the Board Committees had met its performance objective in FY2020.

The primary objective of the Board evaluation exercise is to create a platform for the Board and Board Committees members to provide constructive feedback on the Board procedures and processes and the changes which should be made to enhance the effectiveness of the Board and Board Committees.

The NC has, without the engagement of external facilitator, assessed the Board and Board Committees overall performance to-date and is of the view that the performance of the Board as a whole and Board Committees were satisfactory.



## CORPORATE GOVERNANCE STATEMENT

### ***Individual Directors Evaluation Process***

The evaluation serves to assess the effectiveness of the individual Directors on the following parameters:

- (a) Attendance at Board and related activities;
- (b) Adequacy of preparation for Board meetings;
- (c) Quality and value of contribution for the meetings;
- (d) Contribution to development of strategy and to risk management;
- (e) Up to date with the corporate governance requirements;
- (f) Knowledge; and
- (g) Interaction with stakeholders.

Based on the summary of the evaluation for FY2020 together with the feedback and recommendations from the respective individual Directors, the NC is satisfied that each of the individual Directors had met its performance objective in FY2020.

The individual Director evaluation exercise assists the NC in determining whether to re-nominate Directors who are due for retirement at the forthcoming AGM of the Company, and in determining whether Directors with multiple board representations are able to and have adequately discharged their duties as Directors of the Company.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or his re-nomination as Director.

The NC reviewed the mix of skills and experiences of the Directors that the Board requires to function competently and efficiently in achieving the Group' strategic objectives. When reviewing the Board's performance for FY2020, the NC is satisfied that the Board has a good mix of skills and expertise to meet the needs of the Group and noted the following points:

- (n) Feedback received from the Directors and acted on their comments accordingly; and
- (o) Individual Director's attendance at meetings of the Board, Board Committees and general meetings, individual Director's functional expertise and his commitment of time to the Company.

The Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company.

## CORPORATE GOVERNANCE STATEMENT

### (II) REMUNERATION MATTERS

#### **PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

***Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and KMPs. No director is involved in deciding his or her own remuneration.***

#### Provision 6.1

#### ***Roles and Duties of RC***

The Board established the RC with written Terms of Reference which clearly set out its authority and duties, and report to the Board directly.

The responsibilities and principal functions of the RC, as set out in its Terms of Reference, include:

- (a) determining the Company's remuneration policies. In doing so, it should also consider the Company's risk appetite and ensure that the policies are aligned to long-term goals;
- (b) ensure that the level and structure of remuneration of the Board and KMPs are appropriate and proportionate to the sustained performance and value creation of the Company;
- (c) set the remuneration policy for Directors (both Executive Directors and Non-Executive Directors) and KMPs;
- (d) recommend proposed Non-Executive Directors' fees for shareholders' approval;
- (e) monitor the level and structure of remuneration for KMPs relative to the internal and external peers and competitors;
- (f) ensure that the remuneration of the Non-Executive Directors is appropriate to the level of contribution;
- (g) review the remuneration of employees related to the Directors, CEO or substantial shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;
- (h) review the ongoing appropriateness and relevance of the Company's remuneration policy (including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered) and other benefit programmes (where appropriate);
- (i) obtain reliable, up-to-date information on the remuneration practices of other companies and the relevant market benchmarks through the appointment of external consultants;
- (j) oversee any major changes in employee benefits or remuneration structures;
- (k) review the design of all long-term and short-term incentive schemes for approval by the Board and shareholders;

## CORPORATE GOVERNANCE STATEMENT

- (l) ensure that the contractual terms and any termination payments are fair to the individual and the Company. Poor performance should not be rewarded;
- (m) set performance measures and determine targets for any performance-related pay schemes operated by the Company;
- (n) ensure that a significant and appropriate proportion of Executive Directors' and KMPs remuneration is structured so as to link rewards to corporate and individual performance;
- (o) work and liaise, as necessary, with all other Board Committees on any other matters connected with remuneration matters; and
- (p) undertake such other functions and duties as may be required by the Board under the Code, statute or the Listing Manual of the SGX-ST (where applicable).

The RC recommends to the Board for endorsement, a framework of remuneration and the specific remuneration packages and terms of employment for each Director and KMPs, to ensure that Directors are adequately but not excessively remunerated.

### Provision 6.2

#### **RC Composition**

As at the date of this report, the RC comprises the following three (3) members, all of whom, including the RC Chairman, are Non-Executive and Independent Directors:

Wee Ewe Lay Laurence John	Chairman
Ng Cher Yan	Member
Sim Idrus Munandar	Member

### Provision 6.3

#### **Remuneration Packages and Framework**

The RC reviews and recommends to the Board the remuneration packages or policies for the Executive Director/CEO and the KMPs based on the performance of the Group, the individual Directors and the KMPs. No Director individually decides or is involved in the determination of his or her own remuneration. The RC's recommendations are submitted for endorsement by the Board.

The RC reviews the terms and conditions of service agreements of the CEO before their execution. In the course of such review, the RC will consider the Group's obligations arising in the event of termination of Executive Director and KMPs, to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance.

The service agreement entered into with the CEO is renewable automatically every three (3) years, such renewal being subject to the confirmation of the Board. None of the Non-Executive Directors is on a service contract with the Company.



## CORPORATE GOVERNANCE STATEMENT

### Provision 6.4

#### ***Engagement of Remuneration Consultants***

The RC has access to advice from the internal human resource department and, if necessary, the RC may seek advice from external professionals in the field of executive compensation and related matters of which the expenses will be borne by the Company. No external consultant was engaged by the Company in FY2020.

### **LEVEL AND MIX OF REMUNERATION**

***Principle 7: The level and structure of remuneration of the Board and KMPs are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

### Provision 7.1

#### ***Remuneration of Executive Directors and KMPs***

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and to attract, retain and motivate Directors and KMPs. It also motivates the Directors to provide good stewardship of the Company and KMPs to successfully manage the Company for the long term. The remuneration packages take into account the performance of the Group, the individual Directors and individual KMPs.

The remuneration structure of the Executive Director and KMPs comprises both fixed and variable components. The variable component is linked to the Group/Company's performance as well as the performance of the individual personnel. Such performance-related remuneration is designed to align with the interests of shareholders and other stakeholders and promote long-term success of the Group.

Having reviewed and considered the variable components in the remuneration packages of the Executive Director and KMPs, the RC is of the view that the remuneration packages of the Executive Director and KMPs, which include a fixed component and a variable component linked to the Company's performance, is aligned to the interest of shareholders and are not excessive. The variable portion is linked to individual performance, and is dependent on the performance of the Group, as well as the contribution of the individual to the Group's performance.

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Director/CEO, and KMPs commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Director/CEO (together with other KMPs) is reviewed periodically by the RC and the Board.

## CORPORATE GOVERNANCE STATEMENT

### ***Samko Timber Performance Share Plan***

Samko Timber Performance Share Plan (the “**Samko PSP**”) was approved by the shareholders at the extraordinary general meeting (“**EGM**”) of the Company held on 27 April 2018.

The Samko PSP is a performance incentive share plan which forms an integral part of the Group’s incentive compensation program. The Samko PSP aims to promote higher performance goals, and recognise and reward the contributions made by the eligible CEO and/or an Executive Director. The Samko PSP contemplates the contingent award of fully-paid shares after certain pre-determined benchmarks have been met.

The Samko PSP is administered by the administration committee comprising members of the NC and RC of the Company (“**Administration Committee**”) in its absolute discretion, with such powers and duties as are conferred on it by the Board. The Administration Committee determines and approves the allocation of the share awards, the date of grant and the price thereof under the Samko PSP. Details of the Samko PSP were set out in the Company’s Circular dated 12 April 2018 and also are set out on pages 159 to 160 of this Annual Report.

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from the CEO and KMPs in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The CEO owes a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the CEO in the event of such breach of fiduciary duties.

#### Provision 7.2

### ***Remuneration of Non-Executive Directors***

The Board comprises of five (5) Non-Executive Directors who are independent. Directors’ fees are set in accordance with a remuneration framework based on the level of responsibility and scope of work. The CEO does not receive any Directors’ fee, whilst the Independent Directors are paid Directors’ fees in accordance with their level of contributions, taking into account factors such as efforts and time spent, as well as responsibilities and obligations of the Directors. The Independent Directors have not been over-compensated to the extent that their independence is compromised. Directors’ fees are recommended by the Board for approval by the shareholders at the AGM of the Company. The Board has endorsed the remuneration framework.

For FY2020, the RC had met to review, determine, and recommend to the Board, the payment of Directors’ fees for the financial year ending 31 December 2021, payable quarterly in arrears, which are subject to the shareholders’ approval at the forthcoming AGM of the Company.

#### Provision 7.3

### ***Comparative, Attractive, and Motivative Remuneration Package***

The RC also considered, in consultation with the CEO, amongst other things, their responsibilities, skills, expertise and contributions to the Group’s performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain and motivate Directors and KMPs. The remuneration packages take into account the performance of the Group, the individual Directors and individual KMPs.

## CORPORATE GOVERNANCE STATEMENT

The Company advocates a performance-based remuneration system for Executive Director and KMPs that is flexible and responsive to the market, comprises primarily a basic salary component, an annual supplement equivalent to one month basic salary during each Muslim Hari Raya month and a variable component which is inclusive of bonuses and other benefits based on the Group's performance and the individual's performance such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

### **DISCLOSURE ON REMUNERATION**

***Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

Provisions 8.1 and 8.2

#### **Remuneration Criteria**

The compensation packages for employees including the Executive Director/CEO and the KMPs comprised a fixed component (base salary), a variable component (cash-based annual bonus) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices.

An annual review of the compensation is carried out by the RC to ensure that the remuneration of the Executive Director/CEO and KMPs commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Director/CEO (together with other KMPs) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

Notwithstanding that it is a variation from Provision 8.1 of the Code, the Company wishes to disclose the remuneration of the Executive Director in bands of S\$250,000 for FY2020. The Company is of the view that the intent of Principle 8 was met, as the remuneration policies and the procedure for setting remuneration applicable to the Executive Director/CEO and the KMPs are described above, and the level and mix of remuneration is disclosed in the table below.



## CORPORATE GOVERNANCE STATEMENT

### **Disclosure on Directors' Fees and Remuneration**

A breakdown of the level and mix of the remuneration payable to each individual Director for FY2020 are set out below:

<b>Name of Director</b>	<b>Salary<sup>(1)</sup> (%)</b>	<b>Bonus<sup>(1)</sup> and/or profit sharing (%)</b>	<b>Directors' fee (%)</b>	<b>Allowances and other benefits (%)</b>	<b>Total (%)</b>
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#### Present Director

S\$1,000,000 to below S\$1,250,000

Riko Setyabudhy Handoko <sup>(2)</sup>	43.6	40.7	-	15.6	100%
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Below S\$250,000

Michael Joseph Sampoerna	-	-	100%	-	100%
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Eka Dharmajanto Kasih	-	-	100%	-	100%
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Ng Cher Yan	-	-	100%	-	100%
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Sim Idrus Munandar	-	-	100%	-	100%
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Wee Ewe Lay Laurence John	-	-	100%	-	100%
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Notes:

(1) The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.

(2) Mr Riko Setyabudhy Handoko is also the CEO of the Company.

The total remuneration paid to the Directors is set out on page 60 of this Annual Report.

## CORPORATE GOVERNANCE STATEMENT

### Disclosure Key Management Personnel's Remuneration

A breakdown of the ranges of gross remuneration paid in FY2020 to the Group's KMPs (who are not Directors or the CEO) in the Company and in the Group's subsidiaries, excluding any associated companies are set out below:

Name of Key Management Personnel	Salary <sup>(1)</sup> (%)	Bonus <sup>(1)</sup> and/or profit sharing (%)	Allowances and other benefits (%)	Total (%)
S\$250,000 to below S\$500,000				
Edward Tombokan	69.3	7.3	23.4	100%
Rudiyanto Tan	68.4	7.6	24.0	100%
Johanes Ibrahim Tjendana	67.6	7.5	24.8	100%
Andrew Wardoyo <sup>(2)</sup>	69.0	5.1	25.9	100%
Fredson Kotamena	67.7	7.8	24.5	100%
Below S\$250,000				
Hendry Susanto	90.2	0.0	9.8	100%
Arief Zakaria	91.2	0.0	8.8	100%
Alvin Puspowidjono <sup>(3)</sup>	66.7	8.0	25.3	100%

Notes:

- (1) The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund contributions.
- (2) Appointed as Head of Supply Chain Management Division on 14 February 2020.
- (3) Appointed as Head of Performance Management & Strategic Enhancement Division on 14 February 2020.

The RC will review the remuneration of the Directors and the KMPs from time to time.



## CORPORATE GOVERNANCE STATEMENT

Save as disclosed above, the Code recommends that:

- (a) the Company should fully disclose the remuneration of each individual Director and the CEO on a named basis;
- (b) the Company should disclose the details of the remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder, in incremental bands of S\$100,000; and
- (c) the Company should disclose in aggregate the total remuneration paid to at least the top five (5) KMPs (who are not Directors or the CEO).

The total remuneration paid to the top eight (8) KMPs is set out on page 64 of this Annual Report.

There were no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000 during FY2020.

All Directors and KMPs are remunerated on an earned basis and there were no termination, retirement and post-employment benefits granted during FY2020.

The Board supports and is aware of the need for transparency. However, after deliberation and debate, the Board is of the view that as the remuneration packages are confidential and sensitive in nature, full disclosure of the specific remuneration of each individual Director and the CEO is not in the best interest of the Company. *Inter alia*, the Board has taken into account the very sensitive nature of the matter, the relative size of the Group, the highly competitive business environment the Group operates in, the competitive pressures in the talent market and the irrevocable negative impact such disclosure may have on the Group and which would place the Group in a competitively disadvantageous position.

After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. The Board has determined that there is sufficient transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation. Accordingly, the Board believes that the existing practices adopted by the Company are consistent with the intent of Principle 8 of the Code.

### Provision 8.3

#### ***Details of Employee Share Scheme***

No remuneration or compensation was paid or is to be paid in the form of share options, since the Company does not currently have any plan to implement share option.

## CORPORATE GOVERNANCE STATEMENT

### (III) ACCOUNTABILITY AND AUDIT

#### RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.**

#### Provision 9.1

#### Nature and Extent of Risks

The Board is responsible for the governance of risk and sets the direction for the Group in the way risks are managed in the Group's businesses. The Board believes in the importance of maintaining a sound system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems to safeguard the interests of the shareholders and the Group's assets. To achieve this, internal reviews are constantly being undertaken to ensure that the system of internal controls maintained by the Group is sufficient to provide reasonable assurance that the Group's assets are safeguarded against loss from unauthorised use or disposition, transactions are properly authorised and proper financial records are being maintained.

#### **Board Risk Committee**

The Board had established a BRC to assist the Board to ensure that the Group maintains a robust and effective system of internal controls and to evaluate the adequacy of the Group's internal controls that address the Group's financial, operational, compliance and information technology controls, and risk management systems.

The BRC comprises the following seven (7) members, five (5) of whom, including the BRC Chairman, are Non-Executive and Independent Directors:

Sim Idrus Munandar	Chairman
Eka Dharmajanto Kasih	Member
Riko Setyabudhy Handoko	Member
Ng Cher Yan	Member
Wee Ewe Lay Laurence John	Member
Ito Sumardi*	Member
Hadi Daryanto*	Member

\*Appointed on 1 April 2021

The responsibilities and principal functions of the BRC, as set out in its Terms of Reference, include:

- oversee and review the adequacy and effectiveness of the Company's risk management function;
- overseeing Management in establishing the risk management framework of the Company;
- regularly review the risk management framework; and
- undertake and perform other responsibilities and reporting of the Company.



## CORPORATE GOVERNANCE STATEMENT

The BRC met two (2) times during FY2020 to review the enterprise risk management which focused on the operational, financial, compliance and information technology aspects of the Group. The Chairman of the BRC had reported the findings and recommendations to the Board during the Board meetings.

The BRC has reviewed the Group's financial controls and risk management policies and processes and based on its assessment and reports of the external auditors and internal auditors, the BRC is assured that adequate and effective internal controls are in place.

As for the operational and compliance controls, the Group has periodically reviewed these control areas through the various heads of department and has continuously made improvements with the assistance of the in-house internal audit team.

### Provision 9.2

#### ***Assurance from the CEO, Chief Financial Officer ("CFO") and KMPs***

The Board and the AC has reviewed, with the assistance of the internal and external auditors, the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

The Board has received written assurance from the CEO and CFO that, as at 31 December 2020, the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received written assurance from the CEO and the representative of KMPs that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place were adequate and effective as at 31 December 2020 to address the risks that the Group considers relevant and material to its business operations.

Based on the internal controls maintained by the Group, work performed by the internal audit team and the BRC during the financial year under review, as well as the statutory audit by the external auditors, and the reviews performed by Management, the Board, with the concurrence of the AC, is of the opinion that the system of internal controls in place by the Group, is adequate and effective to address all material aspects of the financial, operational, compliance and information technology controls, and the risk management systems, are adequate and effective to meet the needs of the Group for the type and volume of businesses conducted in the current business environment.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as the Group strives to achieve its' business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Information in relation to the Group's risk management objectives and policies is disclosed in the notes to the financial statement on pages 102 to 184.

## CORPORATE GOVERNANCE STATEMENT

### **AUDIT COMMITTEE**

***Principle 10: The Board has an Audit Committee which discharges its duties objectively.***

#### Provision 10.1

#### ***Roles and Duties of Audit Committee***

The Board established the AC with written terms of reference which clearly set out its authority and duties, and report to the Board directly.

The responsibilities and principal functions of the AC, as set out in its Terms of Reference, include:

- (a) review the financial reporting issues and judgements so as to ensure the integrity of financial statements, and of announcements on the Company's financial performance and recommend changes;
- (b) oversee and review the adequacy and effectiveness of the Company's risk management function;
- (c) overseeing Management in establishing the risk management framework of the Company;
- (d) review and report to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal controls;
- (e) review the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
- (f) review the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (g) recommend to the Board the appointment, reappointment and removal of the external auditors, and its remuneration and terms of engagement;
- (h) ensure that the Company complies with the requisite laws and regulation;
- (i) ensure that the Company has programmes and policies in place to identify and prevent fraud;
- (j) oversee the establishment and operation of the whistleblowing process in the Company;
- (k) review all interested person transactions ("IPTs") and related party transactions; and
- (l) undertake such other functions and duties as may be required by the Board under the Code, statute or Listing Manual of the SGX-ST (where applicable).



## CORPORATE GOVERNANCE STATEMENT

Apart from the duties listed above, the AC will:

- (p) Commission and review the findings of internal investigations into any matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and
- (q) Ensure that the appropriate follow-up actions are taken.

### **External Audit Function**

The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services.

Messrs Moore Stephens LLP ("MS") was re-appointed as the external auditors at the last AGM held on 5 June 2020 until the conclusion of the forthcoming AGM of the Company. The aggregate audit and non-audit fees paid/payable to MS in respect of FY2020 is S\$150,000 (2019: S\$125,000) and Nil (2019: Nil), respectively.

The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors. The re-appointment of the external auditors is always subject to shareholders' approval at the AGM of the Company.

In reviewing the nomination of MS for re-appointment for the financial year ending 31 December 2021, the AC has considered the adequacy of the resources, experience of their audit engagement partner and competence of audit team assigned to the Group's audit, given the size and complexity of the Group. The AC has also taken into account the Audit Quality Indicators relating to MS firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members in handling the audit. The Board also considered the audit team's ability to work in a cooperative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines.

MS has confirmed that they are a Public Accounting Firm registered with Accounting and Corporate Regulatory Authority and provided a confirmation of their independence to the AC.

On the basis of the above, the AC and the Board are satisfied with the standard and quality of work performed by MS and that the appointment of external auditors is in compliance with the requirements of Rule 712 of the Listing Manual of the SGX-ST. Accordingly, the AC has recommended the re-appointment of MS as external auditors for the ensuing year be tabled for shareholders' approval at the forthcoming AGM of the Company.

In accordance with the requirements of Rule 715 of the Listing Manual of the SGX-ST, the AC and the Board, having reviewed the appointment of different auditors for the Company's subsidiaries, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.



## CORPORATE GOVERNANCE STATEMENT

### ***Whistle Blowing Policy***

The Company has put in place a whistle-blowing policy in August 2008 to provide employees with an avenue to raise concerns about possible improprieties in financial reporting of other matters, and the AC is satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. Details of the policy and arrangements have been made available to the employees by disseminating the whistle-blowing policy to the employees by way of announcing to the employee of the Management Policy on Whistle-blowing in the Company's corporate website.

Provisions 10.2 and 10.3

### ***Audit Committee Composition***

The AC comprises the following three (3) members, all of whom, including the AC Chairman, are Non-Executive and Independent Directors:

Ng Cher Yan	Chairman
Wee Ewe Lay Laurence John	Member
Sim Idrus Munandar	Member

The Board is of the opinion that the AC members are appropriately qualified to discharge their responsibilities. Two (2) of the members, Mr Ng Cher Yan and Mr Sim Idrus Munandar, have accounting or related financial management background, while Mr Wee Ewe Lay Laurence John is the Director of a law firm. All AC members have many years of experience in accounting, finance and/or legal related expertise and experience.

As the Lead Independent Director and the AC Chairman, Mr Ng Cher Yan's scope of work also include leading the AC in its' role in reviewing IPTs undertaken by the Group and being available to shareholders where they have concerns which have been raised through the normal channels of the Chairman or the CFO and Head of Finance and Accounting but have not been resolved or for which such contact is inappropriate.

The AC members take measures to keep abreast of changes of accounting standards and issues which have a direct impact on financial statements through attending training and seminars as well as receiving updates from the Group's external auditors.

None of the AC members is a former partner or Director of the Company's existing auditing firm or auditing corporation within a period of two (2) years commencing on the date of his ceasing to be partner of the auditing firm or a Director of the auditing corporation; and in any case, a person has any financial interest in the auditing firm or auditing corporation.

Provision 10.4

### ***Internal Audit Function***

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the shareholders' investments and the Group's assets. The AC has been assigned to oversee and ensure that such a system has been appropriately implemented and monitored.





## CORPORATE GOVERNANCE STATEMENT

The Company has an in-house internal audit team to review the effectiveness of the Group's internal controls, including the adequacy of the Group's internal financial, operational, compliance and information technology controls. Internal audit findings, recommendations and actions taken by Management on the recommendations were reported to the AC. The in-house internal audit team is independent and carries out its activities in accordance with the Standards for the Professional Practice of Internal Auditing.

The in-house internal audit team primary line of reporting is to the AC Chairman and the AC will continue on an annual basis:

1. To review the adequacy of the Group's internal controls;
2. To review the adequacy of the internal audit function, its activities and organizational structure to ensure that no unjustified restrictions or limitations are imposed;
3. To review and approve the annual internal audit plan to ensure that there is sufficient coverage of the Group's activities; and
4. To oversee the implementation of the internal audit plan and ensure that Management provides the necessary co-operation to enable the in-house internal audit team to perform its functions and duties. All improvements to controls recommended by the in-house internal audit team and accepted by the AC will be monitored for implementation.

The AC is satisfied that the in-house internal audit team or Head of Internal Audit is a qualified and experienced personnel. The in-house internal audit team comprises five (5) employees including the Head of Internal Audit who possess the relevant qualifications and experience. The internal audit function has unfettered access to all Company's documents, records, properties, including the AC.

The in-house internal audit team plans its internal audit schedules in consultation with, but independent of, Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work.

The AC reviews the activities of the in-house internal audit team on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. The AC reviews the adequacy and effectiveness of the internal audit functions on an annual basis and is satisfied with its adequacy and effectiveness.

### ***Access Information by Internal Audit Function***

The AC is authorised by the Board to investigate any matters within its terms of reference. It has unrestricted access to information pertaining to the Group, to both internal and external auditors, and to all employees of the Group. Reasonable resources have been made available to the AC to enable it to discharge its duties properly.

### Provision 10.5

### ***Meeting Auditors without the Management***

The AC met two (2) times during FY2020 to review the audit plan/report, the audit findings, the reports on interested person transactions, the reports on internal audit activities for the year (including updates on the findings in relation thereto) and the announcements of the half year and full year results before being approved by the Board for release to the SGX-ST.



## CORPORATE GOVERNANCE STATEMENT

The AC has met with the external auditors and Head of Internal Audit, without the presence of the Company's Management. The AC had reviewed the independence of the external auditors and is satisfied that the nature and extent of the non-audit services provided by the external auditors will not prejudice the objectivity and independence of the external auditors.

### **Audit Committee Activities**

In FY2020, the AC had, among others, carried out the following activities:

- (a) reviewed the half year and full year financial statements announcements of the Group, and recommended to the Board for approval and release to the SGX-ST via SGXNet;
- (b) reviewed the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (c) reviewed IPTs of the Group;
- (d) reviewed and approved the annual audit plan of the external auditors;
- (e) reviewed and approved the internal audit plan of the internal auditors, having considered the scope of the internal audit procedures;
- (f) reviewed the effectiveness of the Group's internal audit function;
- (g) reviewed the audit findings of the internal auditors and Management's responses to those findings;
- (h) reviewed the independence of the external auditors;
- (i) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for the Board's approval; and
- (j) met with the internal and external auditors once without the presence of Management.

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The significant matter impacting the financial statements was discussed with Management and the external auditors, and was reviewed by the AC, as further described in Page 69 of this Annual Report.



## CORPORATE GOVERNANCE STATEMENT

### (IV) SHAREHOLDER RIGHTS AND ENGAGEMENT

#### ***SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS***

***Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

#### Provision 11.1

#### ***Shareholders' Participation in General Meetings***

The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure timely, accurate, fair and transparent disclosure of information.

Prior to the onset of the COVID-19 pandemic in early 2020, shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. Copies of the annual report, the circular and the notices of the AGM and/or EGM, where applicable, are sent to every shareholder of the Company. The notices of the general meetings are also published in a major local newspaper and announced via SGXNet and made available on the Company's corporate website at <https://www.sampoernakayoe.co.id>.

In order to provide ample time for the shareholders to review, the notice of AGM, together with the annual report, is distributed to all shareholders fourteen (14) days before the scheduled AGM date. Shareholders are encouraged to attend the general meetings to ensure a high level of participation and accountability.

The Company allows any shareholder (who is not a relevant intermediary), who is unable to attend the general meetings in person, to appoint not more than two (2) proxies to attend and vote in his or her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight (48) hours before the time appointed for holding the general meeting). The proxy form is sent with the notice of general meetings to all shareholders.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirements. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and Central Provident Fund Board which purchases shares on behalf of the Central Provident Fund investors. A proxy need not be a member of the Company.

Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

Shareholders are also informed of the voting procedures prior to the commencement of voting by poll.



## CORPORATE GOVERNANCE STATEMENT

### **Conduct of 2020 AGM**

However, in view of the COVID-19 pandemic, the Singapore government issued an order on 24 March 2020 requiring all events and mass gatherings to be deferred. As Singapore law then did not allow Singapore companies to hold general meetings by purely virtual means, an automatic extension of time was granted to the Company and the 2020 AGM was delayed.

Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the “**COVID-19 Order**”) which was gazetted on 13 April 2020, the Company is able to send the Notice of 2020 AGM and Annual Report 2020 to shareholders by way of electronic means and the 2020 AGM of the Company was held successfully on 5 June 2020 by way of electronic means.

Pursuant to the COVID-19 Order, shareholders are also informed to participate in the virtual general meetings by observing and/or listening to the general meetings proceedings via “live” audio-visual webcast or “live” audio-only stream.

### **Alternative Arrangements for General Meetings**

In compliance with the COVID-19 Order, the following arrangements had been made:

1. General meetings be conducted by way of electronic means;
2. Notice of general meetings be published on SGXNet and the Company’s corporate website;
3. Proxy form appointing Chairman of the general meetings to cast votes on shareholders’ behalf;
4. Questions relating to any resolution set out in the notice of general meetings be submitted by shareholders before the meeting;
5. Company’s response to substantial and relevant questions from shareholders be published via SGXNet and the Company’s corporate website before the meeting; and
6. Minutes of the general meetings be published via SGXNet and the Company’s corporate website within one (1) month from general meetings.

### **Conduct of 2021 AGM**

Based on the News Releases issued by the Singapore Exchange Regulation (the “**SGX RegCo**”) on 1 October 2020, issuer and non-listed companies may continue to conduct their general meetings to be held on or before 30 June 2021 via electronic means in order to keep physical interactions and COVID-19 transmission risks to a minimum, even as safe distancing regulations are gradually and cautiously relaxed. In this regard, the Company will convene the forthcoming AGM wholly by electronic means pursuant to the COVID-19 Order.



## CORPORATE GOVERNANCE STATEMENT

In relation to the forthcoming AGM to be held on 30 April 2021 by way of electronic means, shareholders should note that:

- (a) The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 Order;
- (b) Due to the prevailing COVID-19 restriction orders in Singapore, shareholders will not be able to attend the AGM physically in person (in Singapore). Shareholders will also not be able to vote online on the resolutions to be tabled for approval at the AGM;
- (c) Shareholders are advised to refer to the Notice of AGM which sets out the Company's arrangements relating to, among others, (i) attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream); (ii) submission of questions in advance in relation to any resolution set out in the notice of AGM; (iii) addressing of substantial and relevant questions prior to, or at, the AGM; and (iv) voting by appointing the Chairman of the meeting as proxy at the AGM; and
- (d) Details of the steps for pre-submission of questions and voting at the AGM by shareholders, including Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") investors, are set out in a separate announcement released on SGXNet on 15 April 2021.

### Provision 11.2

#### ***Conduct of Resolutions and Voting***

In support of greater transparency of the voting process and to enhance shareholders' participation, the Company puts all resolutions proposed at the general meetings to vote by poll since 2016.

Each distinct issue requiring shareholders' approval is proposed as a separate resolution at the general meetings. In addition, shareholders' participation is encouraged at the general meetings to ensure a high level of accountability and to be informed of the Group's strategy and goals.

Prior to the onset of the COVID-19 pandemic in early 2020, shareholders who are present in person or represented by proxies will be entitled to one (1) vote for each share held. A scrutineer is appointed to count and validate the votes cast at the general meetings. The total number of votes cast for and against each resolution and the respective percentage are announced and released to the SGX-ST via SGXNet.

Pursuant to the COVID-19 Order, shareholders are advised to appoint the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the general meetings since there are no remote voting available.



## CORPORATE GOVERNANCE STATEMENT

### Provision 11.3

#### ***Interaction with Shareholders***

At general meetings, shareholders are given the opportunity to raise questions to the Directors and the Management relating to the Company's business or performance. Management, as well as the respective Chairmen of the Board, AC, NC, RC and BRC will be present to assist the Directors in addressing all comments or queries raised by shareholders at such general meetings. The external auditors will also be present at the AGM to address Shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

Pursuant to the COVID-19 Order, shareholders are invited to submit any questions in relation to the resolutions in advance of the general meetings since they are not able to have two ways conversation during the "live" audio-visual webcast or "live" audio-only stream.

### Provision 11.4

#### ***Absentia Voting***

The Company is not implementing absentia voting methods such as by mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

Pursuant to the COVID-19 Order, shareholders who wish to exercise their right to vote on any or all of the resolutions at the general meetings were required to appoint the Chairman of the meeting as their proxy by submitting the duly completed and signed proxy forms to designated email address and mailing address. Persons who hold shares through relevant intermediaries who wish to appoint the Chairman of the meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes.

### Provision 11.5

#### ***Minutes of General Meetings***

The proceeding of each of the general meetings will be properly recorded, including substantial or relevant comments or queries from Shareholders relating to the agenda of the general meetings and responses from the Board and Management. All minutes of the general meetings will be available on the Company's corporate website.

Pursuant to the COVID-19 Order, all minutes of the general meetings including the responses to questions relating to any resolution set out in the notice of general meetings be published via SGXNet and the Company's corporate website within one (1) month from the general meetings.

### Provision 11.6

#### ***Dividend Policy***

The Company does not have a formal dividend policy. Any future dividends that the Directors may recommend or declare in respect of any particular financial year or period will depend on the Group's earnings, financial position, results or operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.



## CORPORATE GOVERNANCE STATEMENT

The Board has not declared or recommended dividends for FY2020, as the Directors are of the view that it can be better use the cash for working capital to support the business operation of the Group at this juncture.

### **ENGAGEMENT WITH SHAREHOLDERS**

***Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.***

Provision 12.1, 12.2 and 12.3

#### ***Investor Relations Practices***

The Company does not have an Investor Relations Policy in place. However, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNet on an immediate basis, in line with the Group's disclosure obligations pursuant to the Listing Manual of the SGX-ST and the Companies Act. There is no dedicated investor relations team in place as the Board was of the view that the current communication channels are sufficient and cost-effective.

In line with the continuous disclosure obligations of the Company, under the Listing Manual of the SGX-ST and the Companies Act, the Board has established a policy to inform shareholders promptly of all major developments that may impact materially on the Company and/or the Group.

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding the commercial interests of the Group. The Company does not practice selective disclosure.

#### ***Disclosures of Information***

The Company believes in timely and accurate dissemination of information to its shareholders. The Board makes every effort to comply with continuous disclosure obligations of the Company under the Listing Manual of the SGX-ST and the Companies Act. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication to shareholders is normally made through:

- (a) annual reports that are prepared and issued to all shareholders;
- (b) annual and half year financial statements announcements containing a summary of the financial information and affairs of the Group for the period;
- (c) notices and explanatory memoranda for general meetings;
- (d) disclosures to the SGX-ST via SGXNet; and
- (e) press/media releases.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.



## CORPORATE GOVERNANCE STATEMENT

Outside of the financial announcement periods, when necessary and appropriate, the Non-Executive Chairman and/or the CEO will meet all stakeholders, shareholders, analysts and media who wish to seek a better understanding of the Group's operations.

### ***Dialogue with Shareholders***

The AGM is the principal forum for dialogue with shareholders. The Company recognises the value of feedback from shareholders. During the general meetings, shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend the AGMs and EGMs, and shareholders will be given the chance to share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues.

Pursuant to the COVID-19 Order, shareholders are encouraged to submit their questions relating to the agenda of the general meetings in advance prior to the general meeting to the designated email address and mailing address. The Company will address substantial and relevant questions received from shareholders prior to, or at, the aforesaid meetings and publish all minutes of the general meetings including the responses to these questions on SGXNet and the Company's corporate website within one (1) month from the general meetings.

## **(V) MANAGING STAKEHOLDERS RELATIONSHIPS**

### ***Engagement with Stakeholders***

***Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.***

#### Provision 13.1

### ***Stakeholders' Engagement***

The Company and the Group has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long-term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly are able to impact the Group's business and operations. Six (6) stakeholders' groups have been identified through an assessment of their significance to the business operations. They are namely, employees, investors/shareholders, customers and consumers, local communities, suppliers and service providers, and government and regulators.

#### Provision 13.2

### ***Strategy and Key Areas of Focus***

The Company and the Group have undertaken a process to determine the economic, environmental, social and governance issues, which important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.





## CORPORATE GOVERNANCE STATEMENT

Detailed approach to the stakeholder engagement and materiality assessment (including commitments, key areas of focus and activities) will be disclosed in the Sustainability Report, which will be issued latest by end of May 2021.

### Provision 13.3

#### ***Corporate Website***

To promote regular, effective and fair communication with shareholders, the Company maintains a corporate website at <https://www.sampoernakayoe.co.id> through which shareholders are able to access up-to-date information on the Group. The corporate website provides annual reports, financial information, stock information, profiles of the Group, and contact details of the investor relations of the Group.

#### **(VI) DEALINGS IN SECURITIES**

The Company has adopted an internal Code of Best Practices on dealings in the securities to provide guidance to the officers, including Directors, of both the Company and its subsidiaries with regard to dealings in the Company's securities.

The Code of Best Practices prohibits the officers of the Group from dealing in the Company's securities during the period commencing one (1) month before the announcement of the Company's half year and full year financial results and ending on the date of announcement of such results on the SGX-ST, or when they are in possession of the unpublished price sensitive information of the Group. Notifications of the 'closed window' periods are sent to all officers concerned.

The Directors are also required to notify the Company of any dealings in the Company's securities within two (2) days of the transaction and to submit an annual confirmation on their compliance with the Code of Best Practices.

In addition, the Directors and Officers of the Group are discouraged from dealing in the Company's securities on short-term considerations.

#### **(VII) INTERESTED PERSON TRANSACTIONS**

The Company has established internal control procedures to ensure the transactions with interested persons are properly reviewed and approved by the AC and conducted at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

## CORPORATE GOVERNANCE STATEMENT

The aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual of the SGX-ST) for FY2020 are set out below:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
		Rp'million	Rp'million
PT Sampoerna Land - Office rental	Mr Michael Joseph Sampoerna, a Director of the Company, together with his immediate family,	6,892	-
PT Bank Sahabat Sampoerna - Finance expense	holds more than 30% of the shareholding interests (direct and indirect)	6,154	-

### (VIII) MATERIAL CONTRACTS

Save as disclosed in the above IPTs section, the service agreement between the CEO and Executive Director and the Company, and the financial statements, there were no other material contracts of the Company or any of its subsidiaries, involving the interests of the CEO, Directors or controlling shareholders subsisting at the end of FY2020 or have been entered into since the end of the previous financial year.



## DIRECTORS' STATEMENT

The directors present their statement to the members of Samko Timber Limited (the “**Company**”) together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2020 and the statement of financial position of the Company as at 31 December 2020.

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended; and
- (b) at the date of this statement, the financial statements have been prepared on a going concern basis after taking into consideration the availability of bank facilities which will enable the Group and the Company to pay their debts as and when they fall due, and that the Group will continue to improve its operating performance and generate adequate cash flows from its operations, as disclosed in Note 3(a) to the financial statements.

### 1. Directors

The directors of the Company in office at the date of this statement are:

Eka Dharmajanto Kasih	<i>Non-Independent and Non-Executive Chairman</i>
Riko Setyabudhy Handoko	<i>Executive Director and Chief Executive Officer</i>
Michael Joseph Sampoerna	<i>Non-Independent and Non-Executive Director</i>
Ng Cher Yan	<i>Lead Independent Director and Non-Executive Director</i>
Sim Idrus Munandar	<i>Independent Director and Non-Executive Director</i>
Wee Ewe Lay Laurence John	<i>Independent Director and Non-Executive Director</i>
Ito Sumardi	<i>Independent Director and Non-Executive Director (Appointed on 1 April 2021)</i>
Hadi Daryanto	<i>Independent Director and Non-Executive Director (Appointed on 1 April 2021)</i>

### 2. Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in Note 3 of this statement.

## DIRECTORS' STATEMENT

### 3. Directors' Interests in Shares or Debentures

According to the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations except as follows:

Name of directors	Direct interest		Deemed interest	
	At the beginning of year	At the end of year	At the beginning of year	At the end of year

#### The Company

##### Number of ordinary shares

Riko Setyabudhy Handoko	7,306,400	14,722,178	-	-
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There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2021.

#### Samko Timber Performance Share Plan

Samko Timber Performance Share Plan (the "**Samko PSP**") was approved by the Company's shareholders at the Extraordinary General Meeting ("**EGM**") of the Company held on 27 April 2018. The duration of the Samko PSP is 10 years commencing from 27 April 2018.

The Samko PSP is a performance incentive share plan which forms an integral part of the Group's incentive compensation program. The Samko PSP aims to promote higher performance goals, and recognise and reward the contributions made by the eligible Chief Executive Officer and/or Executive Directors (including any Executive Director(s) to be appointed). Non-Executive Directors (including Independent Directors), and Controlling Shareholders and their Associates are not eligible to participate in the Samko PSP. The Samko PSP contemplates the contingent award of fully-paid shares after certain pre-determined benchmarks have been met. The Samko PSP is administered by the administration committee comprising members of the Nomination Committee and Remuneration Committee of the Company ("**Administration Committee**") in its absolute discretion, with such powers and duties as are conferred on it by the Board of Directors of the Company. The Administration Committee determines and approves the allocation of the share awards, the date of grant and the price thereof under the Samko PSP. Full details of the Samko PSP were set out in the Company's Circular dated 12 April 2018.

On 29 August 2018, the Company had granted 21,653,058 of share awards ("**2018 Awards**") under the Samko PSP to Riko Setyabudhy Handoko, Executive Director and Chief Executive Officer of the Company (the "**CEO**") for his performance from 2016 to 2018, subject to certain vesting periods. On 13 September 2019, the Company had granted an additional 12,467,532 of share awards ("**2019 Awards**") under the Samko PSP to the CEO for his performance in 2019, subject to a vesting period.

No share awards were granted during the current financial year.

## DIRECTORS' STATEMENT

### 3 Directors' Interests in Shares or Debentures (cont'd)

#### Samko Timber Performance Share Plan (cont'd)

Performance share awards granted and released during the financial year, and share awards outstanding as at the end of the financial year, are as follows:

Name of director	At the beginning of year	Share awards granted	Share awards released	At the end of year
<b>The Company</b>				
<u>2019 Awards</u>				
Riko Setyabudhy Handoko	12,467,532	-	-	12,467,532
<u>2018 Awards</u>				
Riko Setyabudhy Handoko	18,553,058	-	(7,685,778)	10,867,280

Further details of the Samko PSP are disclosed in Note 31(a) to the financial statements.

Except as disclosed in this statement, no directors who held office at the end of the financial year had interests in shares or debentures of the Company and its related corporations, either at the beginning of the financial year or at the end of the financial year.

### 4. Share Options

Except as disclosed in Note 3 of this statement,

#### Options Granted

During the financial year, there were no share options granted to subscribe for unissued shares of the Company or any corporation in the Group.

#### Options Exercised

During the financial year, there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the Group.

#### Options Outstanding

As at the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

## DIRECTORS' STATEMENT

### 5 Audit Committee

The Audit Committee (“AC”) comprises the following independent directors at the date of this statement:

Ng Cher Yan (Chairman)  
Sim Idrus Munandar  
Wee Ewe Lay Laurence John

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual and the Code of Corporate Governance and assists the Board of Directors (the “Board”) in the execution of its corporate governance responsibilities within its established terms of reference.

The duties of the AC, amongst other things, include:

- (a) review the audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Group's/Company's system of internal accounting controls and the assistance given by the Group's/Company's management to the external and internal auditors;
- (b) review the half yearly announcement of financial statements and annual financial statements and the auditor's report on the annual consolidated financial statements of the Company and its subsidiaries before their submission to the Board;
- (c) review the effectiveness of the Group's/Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal auditors;
- (d) meet with the external and internal auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- (e) review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- (f) review the cost effectiveness and the independence and objectivity of the external auditors;
- (g) review the nature and extent of non-audit services provided by the external auditors;
- (h) recommend to the Board the external auditors to be nominated, approve the compensation of the external auditors and review the scope and results of audit;
- (i) report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate;
- (j) review interested persons transactions in accordance with the requirements of the SGX-ST's Listing Manual; and
- (k) undertake such other functions and duties as may be agreed to by the AC and the Board.



## DIRECTORS' STATEMENT

### 5 Audit Committee (cont'd)

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board that the auditors, Moore Stephens LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Further details regarding the AC are disclosed in the Report on Corporate Governance included in the Company's Annual Report.

### 6. Independent Auditors

The auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

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Eka Dharmajanto Kasih  
Non-Executive Chairman

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Riko Setyabudhy Handoko  
Executive Director and Chief Executive Officer

Singapore  
9 April 2021



## INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Samko Timber Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

#### *Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





## INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
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#### Valuation of biological assets

(Refer to Note 4(b) and Note 15 to the financial statements)

As at 31 December 2020, the Group's biological assets owned through subsidiaries in Indonesia amounted to approximately Rp414,724 million.

The value of biological assets is measured at fair value less costs to sell. The fair value is estimated with reference to an independent professional valuation using the present value of expected net cash flows from the biological assets. Determining the present value of expected net cash flows requires the use of assumptions and estimates relating to growth, harvest yield per hectare, sales price, and costs and also choose a suitable discount rate in order to calculate the present value of those net cash flows.

Due to the level of judgement and estimation uncertainty involved in the valuation, we have considered this to be a key audit matter.

#### Our response

We obtained an understanding of management's biological assets valuation process and evaluated the competence, capabilities and objectivity of the independent professional valuer engaged by the Group to assist in determining the fair value of the biological assets at the reporting date.

Our audit procedures related to the valuation included, amongst others:

- evaluated the methodology adopted by the independent professional valuer;
- assessed the key inputs and data used in the valuation model, in particular the growth assumptions, harvest yield per hectare, sales price assumptions and costs and comparing to the historical and market available data; and
- assessed the appropriateness of the discount rate applied in the valuation. We also checked the mathematical accuracy of the underlying calculations.

In addition, we reviewed the adequacy of the disclosures in relation to the valuation of biological assets in Note 15 to the financial statements and management's sensitivity analysis in Note 36(a) to the financial statements.

#### Our findings

We found the independent professional valuer to have the appropriate level of qualifications and experience, and that the valuation methodology used was in line with generally accepted market practices. We also found the key assumptions used in deriving the fair value of the biological assets to be within a reasonable range.

## INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
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#### Post-employment benefits liabilities

(Refer to Note 4(b) and Note 29 to the financial statements)

The Group records post-employment benefits for its qualified employees as required by the Indonesian Labour Law. As at 31 December 2020, the Group's post-employment benefits liabilities amounted to approximately Rp324,795 million.

The cost of the defined pension plan benefits and the present value of the pension obligation are calculated using actuarial valuation determined by an independent actuary.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, inflation rate, future salary increases, mortality rates and future pension increases.

Due to the complexities involved in the valuation and its long-term nature, we have considered this to be a key audit matter.

#### Our response

We obtained an understanding of management's valuation process for the Group's post-employment benefits liabilities and evaluated the competence, capabilities and objectivity of the independent actuary engaged by the Group to assist in determining the post-employment benefits liabilities at the reporting date.

Our audit procedures related to the valuation included, amongst others:

- performed sample testing of the employee's details used in the computation to human resources records and perform re-computation of the post-employment benefits liabilities;
- assessed the reasonableness of the total annual salaries used in the computation by comparing to the historical data;
- assessed the reasonableness of future salaries increases by comparing to the historical data; and
- evaluated and assessed other key assumptions used in the valuation, in particular the discount rate, inflation rate, mortality rates and future pension increases to the market available data issued by the Indonesia government and/ or the historical data.

In addition, we reviewed the adequacy of the disclosures in relation to the post-employment benefits liabilities, including management's sensitivity analysis, in Note 29 to the financial statements.

#### Our findings

We found the independent actuary to have the appropriate level of qualifications and experience, and that the valuation methodology used was in line with generally accepted market practices. We also found the key assumptions used in determining the post-employment benefits liabilities to be within a reasonable range.



## INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
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#### Impairment assessment on investment in a subsidiary

(Refer to Note 4(b) and Note 14 to the financial statements)

As at 31 December 2020, management performed an impairment assessment of the Company's investment in a subsidiary, PT Sumber Graha Sejahtera ("PT SGS"), as the carrying amount of the Company's investment in PT SGS exceeded the net assets of PT SGS as at that date. The carrying amount of the Company's investment in PT SGS amounted to approximately Rp793,832 million, representing approximately 96% of the Company's total assets.

As part of the impairment testing, management prepares value in use calculation ("VIU") to determine the recoverable amount of the Company's investment in PT SGS. The VIU is based on discounted cash flow forecasts of PT SGS, the preparation of which requires management to use assumptions and estimates relating to revenue growth, budgeted gross margin, and terminal growth rate and discount rate of PT SGS, which are inherently subjective, and may be affected by uncertainties around future market or economic conditions.

Due to the level of judgement and estimation uncertainty involved in the VIU, we have considered this to be a key audit matter.

#### Our response

We obtained an understanding of management's impairment assessment process for the Company's investment in subsidiaries and assessed the VIU prepared by management to determine the recoverable amount of the Company's investment in PT SGS at the reporting date.

Our audit procedures related to the VIU included, amongst others:

- evaluated management's assumptions applied in the cash flow forecast taking into consideration our knowledge of PT SGS's operations, performance and industry benchmarks;
- obtained an understanding of management's planned strategies on revenue growth and cost initiatives for PT SGS, including management's consideration of the potential impact that COVID-19 pandemic has on PT SGS's operations;
- tested the robustness of management's forecast by comparing previous forecast to actual result. In addition, we also validated key inputs used in the discounted cash flow forecast, such as growth rate and discount rate, to the historical data and external market data to assess the reasonableness of management's forecast; and
- tested management's sensitivity analysis of the recoverable amount of the Company's investment in PT SGS based on reasonable changes to the key assumptions used in the discounted cash flow forecast. We also checked the mathematical accuracy of the underlying calculations.



## INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

### Report on the Audit of the Financial Statements (cont'd)

*Key Audit Matters (cont'd)*

Key Audit Matter	How our audit addressed the key audit matter
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#### **Impairment assessment on investment in a subsidiary (cont'd)**

#### **Our response (cont'd)**

In addition, we reviewed the adequacy of the disclosures relating to impairment testing of the Company's investment in PT SGS, including management's sensitivity analysis, in Note 14 to the financial statements.

#### **Our findings**

We found the assumptions and estimates used by management in the VIU to determine the recoverable amount of PT SGS to be within a reasonable range.



## INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

### Report on the Audit of the Financial Statements (cont'd)

#### Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
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#### Going concern assumption

(Refer to Note 3(a) to the financial statements)

As disclosed in Note 3(a) to the financial statements, as at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately Rp282,134 million. As at that date, the Group's loans and borrowings amounted to approximately Rp1,435,530 million, of which approximately Rp1,192,501 million were short-term bank loans which are due within one year from 31 December 2020.

Notwithstanding this, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2020 is appropriate after taking into consideration the availability of bank facilities which will enable the Group and the Company to pay its debts as and when they fall due, and that the Group will continue to improve its operating performance and generate adequate cash flows from its operations.

The above factors are important considerations for the appropriateness on the use of the going concern assumption. As such, we considered this to be a key audit matter.

#### Our response

Our audit procedures related to the going concern assumption included, amongst others:

- discussed with management to obtain an understanding on the Group's business plan and financing requirements, including the Group's investment in PT SGM which was completed during the financial year as disclosed in Note 33 to the financial statements;
- obtained management's cash flow forecast prepared for the purpose of the going concern assessment for the period of twelve months from the date of the financial statements and evaluated the reasonableness of the key assumptions used in the forecast;
- performed stress test on the key assumptions used in the forecast, in particular the sales growth, future production levels and operating costs by reference to the historical data and market available data;
- agreed the Group's committed debt facilities, including financial covenant terms and timing of repayment to supporting documentation; and
- evaluated the Group's ability to meet its current liabilities, which are due within one year from 31 December 2020, through analysis of existing available funding and unused bank facilities.

In addition, we reviewed the adequacy of the disclosures in relation to the going concern assumption in Note 3(a) to the financial statements.

#### Our findings

We found the management's use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2020 to be appropriate.



## INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

### Report on the Audit of the Financial Statements (cont'd)

#### *Other Information*

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

### Report on the Audit of the Financial Statements (cont'd)

#### *Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

### Report on the Audit of the Financial Statements (cont'd)

#### *Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ng Chiou Gee Willy.

#### **Moore Stephens LLP**

Public Accountants and  
Chartered Accountants

Singapore  
9 April 2021



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	Group	
		2020 Rp'million	2019 Rp'million
<b>Revenue</b>	5	3,194,734	3,955,495
Cost of sales		(2,709,897)	(3,356,982)
Gross profit		484,837	598,513
<b>Other items of income</b>			
Finance income	6	298	279
Other income	7	136,425	46,672
<b>Other items of expense</b>			
Selling expenses		(162,340)	(152,185)
General and administrative expenses		(325,661)	(355,180)
Impairment losses of financial assets, net	20	(346)	(516)
Finance expenses	8	(110,281)	(105,557)
Other expenses	9	(40,757)	(13,732)
<b>(Loss)/Profit before income tax</b>	10	(17,825)	18,294
Income tax	11	(19,076)	(12,552)
<b>(Loss)/Profit for the year</b>		(36,901)	5,742
<b>Other comprehensive (loss) income, net of tax:</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net actuarial loss on post-employment benefits	29	(18,810)	(26,595)
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation		(16,356)	12,860
<b>Other comprehensive (loss) for the year</b>		(35,166)	(13,735)
<b>Total comprehensive (loss) for the year</b>		(72,067)	(7,993)
<b>(Loss)/Profit for the year attributable to:</b>			
Owners of the Company		(91,997)	4,610
Non-controlling interests		55,096	1,132
		(36,901)	5,742
<b>Total comprehensive (loss) income for the year attributable to:</b>			
Owners of the Company		(127,080)	(9,168)
Non-controlling interests		55,013	1,175
		(72,067)	(7,993)
<b>(Loss)/Earnings per share (in Rupiah)</b>			
Basic	12	(39)	2
Diluted	12	(39)	2

The accompany notes form an integral part of the financial statements

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company	
		2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
<b>Non-current assets</b>					
Property, plant and equipment	13	521,923	531,950	8	8
Investment in subsidiaries	14	-	-	827,279	827,279
Biological assets	15	414,724	52,620	-	-
Land use rights	16	70,268	51,505	-	-
Deferred tax assets	17	111,129	78,149	-	-
Other non-current assets	18	11,500	37,962	-	-
Right-of-use assets	32	103,229	74,887	-	-
		<b>1,232,773</b>	<b>827,073</b>	<b>827,287</b>	<b>827,287</b>
<b>Current assets</b>					
Inventories	19	876,641	994,460	-	-
Trade and other receivables	20	463,278	464,267	113,817	49,258
Prepaid operating expenses	21	93,999	76,046	505	531
Advances to suppliers	22	65,425	92,597	-	1,492
Derivative financial instruments	35(b)	5,412	-	-	-
Restricted deposits	23	6,196	6,274	-	-
Cash at banks and on hand	24	30,322	13,474	770	1,564
		<b>1,541,273</b>	<b>1,647,118</b>	<b>115,092</b>	<b>52,845</b>
<b>Current liabilities</b>					
Trade and other payables	25	451,855	511,193	59,273	36,699
Other liabilities	26	61,416	72,966	2,631	2,421
Advances from customers	27	4,361	8,135	757	1,327
Loans and borrowings	28	1,238,979	1,144,276	-	-
Lease liabilities	32	58,387	57,309	-	-
Income tax payable		8,409	6,820	-	-
		<b>1,823,407</b>	<b>1,800,699</b>	<b>62,661</b>	<b>40,447</b>
<b>Net current (liabilities)/assets</b>		<b>(282,134)</b>	<b>(153,581)</b>	<b>52,431</b>	<b>12,398</b>

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

Note	Group		Company		
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million	
<b>Non-current liabilities</b>					
Other liabilities	26	-	108,083	304,159	266,985
Loans and borrowings	28	196,551	28,495	-	-
Post-employment benefits	29	296,521	261,683	-	-
Lease liabilities	32	32,063	69,892	-	-
Deferred tax liabilities	17	43,508	3,161	-	-
		568,643	471,314	304,159	266,985
<b>Net assets</b>		<b>381,996</b>	<b>202,178</b>	<b>575,559</b>	<b>572,700</b>
<b>Equity attributable to owners of the Company</b>					
Share capital	30	539,028	537,603	539,028	537,603
(Accumulated losses)/ Retained earnings		(808,664)	(697,868)	19,488	9,443
Other reserves	31(a)	341,124	357,586	17,043	25,654
		71,488	197,321	575,559	572,700
Non-controlling interests	31(b)	310,508	4,857	-	-
<b>Total Equity</b>		<b>381,996</b>	<b>202,178</b>	<b>575,559</b>	<b>572,700</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the financial year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital Rp/million	Accumulated losses Rp/million	Other reserves, total Rp/million	Restructuring reserve Rp/million	Premium paid on acquisition of non-controlling interests Rp/million	Performance share plan reserve Rp/million	Foreign currency translation reserve Rp/million	Equity attributable to owners of the Company, total Rp/million	Non-controlling Interests Rp/million	Total Equity Rp/million
<b>Group</b>										
<b>At 1 January 2020</b>	537,603	(697,868)	357,586	309,050	(3,037)	5,326	46,247	197,321	4,857	202,178
(Loss)/Profit for the year	-	(91,997)	-	-	-	-	-	(91,997)	55,096	(36,901)
Other comprehensive income for the year, net of tax:										
Net actuarial loss on post-employment benefits	-	(18,799)	-	-	-	-	-	(18,799)	(11)	(18,810)
Exchange differences on translation	-	-	(16,284)	-	-	-	(16,284)	(16,284)	(72)	(16,356)
Other comprehensive (loss) for the year, net of tax	-	(18,799)	(16,284)	-	-	-	(16,284)	(35,083)	(83)	(35,166)
Total comprehensive (loss)/income for the year	-	(110,796)	(16,284)	-	-	-	(16,284)	(127,080)	55,013	(72,067)
Issuance of shares under performance shares plan	1,425	-	(1,425)	-	-	(1,425)	-	-	-	-
Grant of equity-settled performance share plan	-	-	1,247	-	-	1,247	-	1,247	-	1,247
Disposal of a subsidiary	-	-	-	-	-	-	-	-	718	718
Equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	249,920	249,920
<b>At 31 December 2020</b>	539,028	(808,664)	341,124	309,050	(3,037)	5,148	29,963	71,488	310,508	381,996

The accompanying notes form an integral part of the financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the financial year ended 31 December 2020

	Attributable to owners of the Company							Total equity Rp/million		
	Share capital Rp/million	Accumulated losses Rp/million	Other reserves, total Rp/million	Restructuring reserve Rp/million	Premium paid on acquisition of non-controlling interest Rp/million	Performance share plan reserve Rp/million	Foreign currency translation reserve Rp/million		Equity attributable to owners of the Company, total Rp/million	Non-controlling interests Rp/million
<b>Group</b>										
<b>At 1 January 2019</b>	2,502,305	(2,640,569)	340,505	309,050	(3,037)	1,078	33,414	202,241	3,682	205,923
Profit for the year	-	4,610	-	-	-	-	-	4,610	1,132	5,742
Other comprehensive income for the year, net of tax:										
Net actuarial (loss)/gain on post-employment benefits	-	(26,611)	-	-	-	-	-	(26,611)	16	(26,595)
Exchange differences on translation	-	-	12,833	-	-	-	12,833	12,833	27	12,860
Other comprehensive (loss)/income for the year, net of tax	-	(26,611)	12,833	-	-	-	12,833	(13,778)	43	(13,735)
<b>Total comprehensive (loss)/income for the year</b>	-	(22,001)	12,833	-	-	-	12,833	(9,168)	1,175	(7,993)
Capital reduction to reduce share capital	(1,964,702)	1,964,702	-	-	-	-	-	-	-	-
Grant of equity-settled performance share plan	-	-	4,248	-	-	4,248	-	4,248	-	4,248
<b>At 31 December 2019</b>	537,603	(697,868)	357,586	309,050	(3,037)	5,326	46,247	197,321	4,857	202,178



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	Group	
	2020 Rp'million	2019 Rp'million
<b>Cash from Operating Activities</b>		
(Loss)/profit before income tax	(17,825)	18,294
Adjustments for:		
Depreciation of property, plant and equipment (PPE)	108,033	104,437
Amortisation of land use rights	4,395	4,006
Depreciation of right-of-use assets	16,198	3,310
Inventories written-down	79	11
Allowance for impairment losses of financial assets, net	346	516
Allowance for/(Reversal of) advances to suppliers	744	(2,466)
Bad debts written off	3,845	-
Net gain on disposal of PPE	(1,106)	(1,077)
Net gain on change in fair value of biological assets	(127,979)	(6,553)
Gain on disposal of land use rights	(931)	-
Forfeiture of customer's deposits	-	(19,674)
Post-employment benefits expense	45,598	50,603
Equity-settled performance share plan	1,247	4,248
Net foreign exchange loss	(15,255)	(28,661)
Interest income	(298)	(279)
Interest expense on loans and borrowings	97,944	96,399
Interest expense on lease liabilities	5,247	2,189
Operating cash flow before changes in working capital	120,282	225,303
Changes in working capital		
Trade and other receivables	(3,206)	(90,679)
Inventories	117,740	(253,476)
Prepaid operating expenses	10,839	(23,853)
Advances to suppliers	5,635	86,225
Trade and other payables	(71,162)	148,077
Other liabilities	(1,595)	(5,075)
Advances from customers	(3,774)	399
Other non-current assets	(2,032)	(1,925)
Cash flows generated from operations	172,727	84,996
Income taxes paid	(24,535)	(29,376)
Post-employment benefits paid	(29,644)	(18,640)
<b>Net cash flows generated from operating activities</b>	<b>118,548</b>	<b>36,980</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
<b>Cash Flows from Investing Activities</b>		
Additions of PPE (Note A)	(51,128)	(136,086)
Additions of biological assets	(3,692)	(1,773)
Additions of land use rights	(4,511)	(1,132)
Proceeds from disposal of PPE	1,775	1,539
Proceeds from disposal of land use rights	935	-
Interest received	298	280
<b>Net cash flows used in investing activities</b>	<b>(56,323)</b>	<b>(137,172)</b>
<b>Cash Flows from Financing Activities</b>		
(Repayment of)/Loan from a third party	(98,083)	98,083
(Repayment of)/Loan from a customer	(10,000)	10,000
Proceeds from loans and borrowings	4,771,911	4,668,511
Repayments of loans and borrowings	(4,522,122)	(4,566,031)
Payment of lease liabilities –principal portion	(72,120)	(45,486)
Payment of loan facility fee	(18,620)	-
Interest paid for loans and borrowings	(91,321)	(88,407)
Interest paid for lease liabilities	(5,247)	(2,189)
Withdrawal of restricted deposits	139	9,576
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(45,463)</b>	<b>84,057</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,762</b>	<b>(16,135)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>13,474</b>	<b>29,806</b>
Effect of exchange rate changes on cash and cash equivalents	86	(197)
<b>Cash and cash equivalents at 31 December (Note 24)</b>	<b>30,322</b>	<b>13,474</b>

Note A: For the purpose of the consolidated statement of cash flows, the movements in the additions of PPE comprised the following:

	2020 Rp'million	2019 Rp'million
Additions of PPE (Note 13)	83,788	199,954
Net decrease/(increase) in advances for purchase of assets as additions of PPE	(32,660)	2,682
Additions via finance lease	-	(66,550)
Cash payment per the consolidated statement of cash flows	<b>51,128</b>	<b>136,086</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

These notes form an integral part of and should be read in conjunction with the consolidated financial statements:

### 1. General Information

Samko Timber Limited (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company's registered address and principal place of business is at 7500A Beach Road, #08-305 The Plaza, Singapore 199591.

The immediate and ultimate holding company is Sampoerna Forestry Limited, a company incorporated in Singapore. The ultimate controlling party is Mr Putera Sampoerna.

The principal activities of the Company are investment holding and general wholesale trade. The principal activities of the subsidiaries are set out in Note 14.

### 2. Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")

#### (a) Adoption of New and Revised Standards

The accounting policies adopted are consistent with those of the previous financial year except that on 1 January 2020, the Group has adopted the following new and revised standards that are relevant to the Group and are mandatory for application for the current financial year:

#### Description

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Amendments to References to Conceptual Framework in SFRS(I) Standards

Amendments to SFRS(I) 3 *Definition of a Business*

Amendments to SFRS(I) 7, SFRS(I) 9 and SFRS(I) 1-39 *Interest Rate Benchmark Reform*

Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*

The adoption of these new and revised standards above did not result in substantial changes to the Group's accounting policies and had no material effect on the disclosures or amounts reported in these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 2. Application of Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (cont’d)

#### (a) New and Revised Standards Issued but Not Yet Effective

At the date of authorisation of these financial statements, the Group has not adopted the following new and revised standards that have been issued and are relevant to the Group but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 16 COVID-19 <i>Related Rent Concessions</i>	1 June 2020
Amendments to SFRS(I) 3 <i>Business Combinations - Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 1-16 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37 <i>Provisions - Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to SFRS(I)s Standards 2018-2020 Cycle	1 January 2022
Amendments to SFRS(I) 1-1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

The Group does not expect that the adoption of these new and revised standards above will have a material impact on the financial statements in the period of initial application.

### 3. Significant Accounting Policies

#### (a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and SFRS(I). The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

#### Going concern assumption

As at 31 December 2020, the Group’s current liabilities exceeded its current assets by Rp282,134 million (2019: Rp153,581 million). As at that date, the Group’s loans and borrowings amounted to Rp1,435,530 million (2019: Rp1,172,771 million), of which Rp1,192,501 million (2019: Rp1,144,276 million) were short-term bank loans which are due within one year from 31 December 2020 as disclosed in Note 28.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (a) Basis of Preparation (cont'd)

##### Going concern assumption (cont'd)

Notwithstanding the above, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2020 is appropriate after taking into consideration the availability of bank facilities which will enable the Group and the Company to pay its debts as and when they fall due, and that the Group will continue to improve its operating performance and generate adequate cash flows from its operations.

As at 31 December 2020, the Group has at its disposal unused revolving loan and overdraft facilities amounting to Rp1,271,918 million (2019: Rp617,749 million) which are available to the Group to draw down, if required, as disclosed in Note 35(d). Management believes the banks will continue to support the Group and are not aware of any adverse circumstances that might cause the Group's bank facilities to be withdrawn. In addition, management believes the completion of the Group's investment in PT SGM during the financial year, as disclosed in Note 33, will allow the Group to expand its operations into new locations in Indonesia and to generate future additional revenue stream and operating cash flows for the Group.

Based on the above, the directors of the Company concluded that there is no material uncertainty that casts a significant doubt on the Group's ability to continue in operational existence for the foreseeable future and to discharge its liabilities in the normal course of business.

#### (b) Group Accounting

##### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (b) Group Accounting (cont'd)

##### Subsidiaries (cont'd)

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the fair value of the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Gains and losses on the disposal of subsidiaries, include the carrying amount of goodwill relating to the subsidiary sold.

The Group applies the acquisition method to account for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (b) Group Accounting (cont'd)

##### Subsidiaries (cont'd)

If the total of consideration transferred, non-controlling interest recognised and previously-held interest measured is less than the fair value of the net assets of the subsidiary acquired as in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of interests in subsidiaries to non-controlling interests without loss of control are also recorded in equity.

When the Group loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest (including any components of other comprehensive income attributable to them);
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained in the former subsidiary at its fair value;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate; and
- recognises any resulting difference in profit or loss.

#### (c) Investment in Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (d) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

#### Sales of goods

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied with no variable consideration involved in the estimation of the transaction price.

#### Interest income

Interest income is recognised using the effective interest method.

#### Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

#### (e) Government Grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately under other income in profit or loss.

#### (f) Foreign Currencies

#### Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (functional currency).

The Company's functional currency is United States Dollar ("US\$"), which reflects the economic substance of the underlying events and circumstances of the Company. For the purposes of the consolidated financial statements, the results and financial position of each entity in the Group are expressed in Indonesia Rupiah ("Rp"), which is the presentation currency for the consolidated financial statements.

All values are rounded to the nearest million (Rp'million) except when otherwise indicated.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (f) Foreign Currencies (cont'd)

##### Transactions and balances

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

##### Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (f) Foreign Currencies (cont'd)

##### Translation of Group entities' financial statements (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

#### (g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

#### (h) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

##### Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (f) Employee Benefits (cont'd)

##### Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement age in accordance with the provisions of the employment contract and/or local labour laws.

##### Defined pension plan benefits

The Group operates a defined pension plan for severance and service benefits, which is required under the labour laws in Indonesia and is unfunded. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, is recognised immediately on the statement of financial position with a corresponding debit or credit through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent period.

Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Group recognises restructuring-related costs

The Group recognises service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the net defined benefits obligation in profit or loss.

#### (i) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### Current tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by reporting date. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.





## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (i) Income Tax (cont'd)

##### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

Income Tax (cont'd)

#### Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current and deferred tax arises from the initial accounting for a business combination, the tax effect is taken into account in the accounting for the business combination.

(j) Property, Plant and Equipment

#### Measurement

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

#### Depreciation

Depreciation is recognised so as to write off the depreciable amounts of the assets over their estimated useful lives, using the straight-line method.

The following useful lives are used in the calculation of depreciation:

Buildings and improvements	- 20 years
Machinery and heavy equipment	- 8 to 20 years
Electrical installations	- 5 to 15 years
Vehicles	- 4 to 8 years
Furniture, fixtures and equipment	- 4 to 10 years

Assets in the course of construction are carried at cost less any recognised impairment losses. Cost includes, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (j) Property, Plant and Equipment (cont'd)

##### Depreciation (cont'd)

The residual value, useful life and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effects of any revision are recognised in profit or loss when the changes arise.

##### Subsequent expenditure

Subsequent expenditure related to property, plant and equipment that has been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

##### Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### (k) Biological Assets

Biological assets comprise standing trees in a plantation forest, separate from the land on which these assets are located.

The plantation forests are recognised and measured at fair value less estimated point-of-sale costs at harvest. The valuation of the biological assets is calculated by the independent valuer based on the discounted cash flow model whereby the fair value is calculated using cash flows from continuous operations, assuming sustainable forest management plans, taking into account the growth potential from their industrial forest plantations. The yearly harvest made from the forecasted tree growth is multiplied by actual wood pines and the cost of fertiliser, before the deduction of harvesting. The fair value is measured as the present value of the harvest from one growth cycle based on the productive forestland.

#### (l) Land Use Rights

Land use rights is carried at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised to profit or loss using the straight-line method over the term of the land lease. The amortisation period and method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effects of any revision are recognised in profit or loss when the changes arise.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (m) Impairment of Non-financial Assets

Non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### (n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost incurred in bringing the inventories to their present location and condition are accounted for using the average method for finished goods, work in progress and raw materials and first-in, first-out method for indirect materials and spare parts.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (o) Cash and Cash Equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and on hand, and short-term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These exclude bank overdrafts that are not repayable on demand and are used as a source of finance instead of an integral part of the Group's cash management.

#### (p) Financial Assets

##### Classification

##### i. Debt instruments

Financial assets that are debt instruments are classified into categories based on the Group's business model for managing them and their contractual cash flow characteristics.

- Financial Assets measured at Amortised Cost (AC) comprise of assets that are held within a business model whose objective is to hold those assets for collection of contractual cash flows, and those contractual cash flows represent solely payments of principal and interest.
- Financial Assets measured at Fair Value through Other Comprehensive Income (FVOCI) comprise of assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling those assets, and those contractual cash flows represent solely payments of principal and interest.
- Financial Assets measured at Fair Value through Profit and Loss (FVPL) comprise of assets that do not qualify for AC and FVOCI. Assets that would otherwise qualify for AC or FVOCI may also be designated as FVPL upon initial recognition, if such designation eliminates or significantly reduces a measurement or recognition inconsistency that arises from measuring assets and liabilities on an inconsistent basis.

##### ii. Equity instruments

Financial assets that are equity instruments comprise mainly of investments in equity securities. The Group classifies these assets as FVPL, except for those that the Group has designated as FVOCI. The FVOCI designation is irrevocable, and is not permitted for held-for-trading financial assets and financial assets that represent contingent consideration in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (p) Financial Assets (cont'd)

##### Initial measurement

Trade receivables that do not contain a significant financing component are initially recognised at their transaction price. Other financial assets are initially recognised at fair value, plus, for financial assets that are not at FVPL, transaction costs that are directly attributable to their acquisition. Transaction costs of financial assets at FVPL are expensed in profit and loss.

##### Subsequent measurement

#### i. Debt instruments

##### *Amortised Cost*

These assets are subsequently measured at amortised cost using the effective interest method unless they are part of a designated hedging relationship. Impairment losses and reversals, interest income, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit and loss. Interest income is based on the effective interest method which allocates interest income over the life of the financial asset based on an effective interest rate that discounts estimated future cash receipts to its gross carrying amount.

##### *FVOCI*

These assets are subsequently measured at fair value. Impairment losses and reversals, interest income based on the effective interest method, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit and loss. Any remaining fair value movements are recorded in other comprehensive income.

##### *FVPL*

These assets are subsequently measured at fair value. All fair value movements are recorded in profit and loss.

#### ii. Equity instruments

Subsequent to initial recognition, all equity investments are measured at fair value. Changes in the fair value of FVPL equity investments are recognised in profit and loss, while changes in the fair value of FVOCI equity investments are recognised in other comprehensive income. All dividend income is recognised in the profit and loss, except for dividends from FVOCI equity investments that clearly represent a recovery of the cost of investment.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (p) Financial Assets (cont'd)

##### Impairment

At each reporting date, the Group assesses expected credit losses (ECL) on the following financial instruments:

- Financial assets that are debt instruments measured at AC and FVOCI;
- Contract assets; and
- Financial guarantee contracts.

ECL is a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all shortfalls between the cash flows due to the Group in accordance with contractual terms, and the cash flows that the Group actually expects to receive. ECL is discounted at the effective interest rate of the financial asset. The Group records allowances on financial assets based on either the:

- 12-month ECL – representing the ECL that results from default events that are possible within the 12 months after the reporting date (or the expected life of the instrument if shorter); or
- Lifetime ECL – representing the ECL that results from all possible default events over the expected life of the contract.

##### *Simplified approach - Trade receivables*

For all trade receivables, the Group adopts a simplified approach whereby an allowance for lifetime ECL is assessed upon initial recognition. The Group estimates lifetime ECL using a provision matrix based on historical credit loss experience, adjusted for various factors including debtor-specific factors, forward-looking information such as industry and economic forecasts, and others as appropriate.

##### *General approach – All other financial instruments on which ECL assessment is required*

For all other financial instruments on which ECL is assessed, an allowance for 12-month ECL is recorded upon initial recognition. The allowance is increased to lifetime ECL if the credit risk at each reporting date has increased significantly as compared to the credit risk at initial recognition. In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group considers all reasonable and supportable information that is relevant and available without undue cost or effort including both historical credit experience and forward-looking information.

The Group regards the following as events of default:

- events that make it unlikely for the borrower to repay in full unless the Group undertakes actions to recover the asset (e.g. by exercising rights over collaterals or other credit enhancements); or
- the financial instrument has become overdue in excess of 180 days.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

(p) Financial Assets (cont'd)

#### Impairment (cont'd)

##### *Credit-impaired financial instruments*

At each reporting date, the Group assesses whether a financial instrument on which ECL assessment is required has become credit-impaired. This is the case when one or more events have occurred that are considered to be detrimental to the estimated future cash flows of the instrument. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract such as a default or past due event;
- other lenders granting concessions (such as loan restructurings) to the borrower due to economic or contractual reasons, that would not have been considered in the absence of the borrower's financial difficulty;
- increasing likelihood that the borrower will enter bankruptcy or other financial re-organisation; and
- the disappearance of an active market for the borrower's securities due to financial difficulties.

For credit-impaired financial assets, interest income is determined by applying the effective interest rate to the net carrying amount of the financial asset (after deduction of the ECL allowance).

##### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, such as when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit and loss.

#### Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes a party to its contractual provisions. All regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the financial asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (p) Financial Assets (cont'd)

##### Recognition and derecognition (cont'd)

On derecognition of a financial asset that is a debt instrument, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the profit and loss. In addition, for a financial asset that is a debt instrument at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is reclassified to profit and loss.

On derecognition of an equity investment at FVPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss. For equity investments at FVOCI, this difference is instead recognised directly in equity as part of retained earnings. Cumulative gains and losses previously accumulated in equity are also transferred directly to retained earnings upon derecognition of FVOCI equity investments.

#### (q) Financial Liabilities

##### Financial liabilities

The Group recognises financial liabilities on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

Financial liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the reporting period.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they have expired. The difference between the carrying amount of a financial liability that has been derecognised and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### (r) Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the financial assets and settle the financial liabilities simultaneously.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

(s) Leases

When the Group is a lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognises right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liabilities. The following useful lives are used in the calculation of depreciation:

Buildings	- 2 to 3 years
Machinery and heavy equipment	- 8 to 20 years
Vehicles	- 4 to 8 years

The Group's right-of-use assets and lease liabilities are presented in Note 32.

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if it is reasonably certain to exercise the option; and
- payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected not to separate lease and non-lease components for property leases; instead, these are accounted for as one single lease component.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

(s) Leases (cont'd)

#### When the Group is a lessee (cont'd)

Lease liabilities are measured at amortised cost, and are remeasured when:

- there is a change in future lease payments arising from changes in an index or rate;
- there is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a modification to the lease term.

When lease liabilities are remeasured, corresponding adjustments are made against the right-of-use assets. If the carrying amounts of the right-of-use assets have been reduced to zero, the adjustments are recorded in profit or loss. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of twelve months or less, as well as leases of low value assets, except in the case of sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are based on an index or a rate are included in the measurement of the corresponding right-of-use assets and lease liabilities. Other variable lease payments are recognised in profit or loss when incurred.

#### *Short-term leases and leases of low-value assets*

The Group applies the exemption for all short-term leases (up to 12 months) and low-value assets on a lease-by-lease basis. All lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

#### When the Group is a lessor

Each lease in which the Group acts as a lessor is classified as either an operating or a finance lease at lease inception. Leases that transfer substantially all of the risks and rewards incidental to ownership of the underlying assets are classified as finance leases. Other leases are classified as operating leases.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

(s) Leases (cont'd)

When the Group is a lessor (cont'd)

*Lessor – finance leases*

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases. The leased assets are derecognised and the present value of the lease receivables (net of initial direct costs for negotiating and arranging the lease) are recognised on the statement of financial position and included in "trade and other receivables". The difference between the gross receivables and the present value of the lease receivable is recognised as unearned finance income. Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

*Lessor – operating leases*

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in profit or loss when earned.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

#### (u) Financial Guarantees

##### Financial guarantees in the separate financial statements

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of the bank borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantees are measured initially at their fair values plus transaction costs and subsequently measured at the higher of:

- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- the amount of loss allowance determined in accordance with expected credit loss model under SFRS(I) 9.

#### (v) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are charged to equity.

#### (w) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

#### (x) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive management whose members are responsible for allocating resources and assessing performance of the operating segments.

#### (y) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").

- a. A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 3 Significant Accounting Policies (cont'd)

- (y) Related Parties (cont'd)
- b. An entity is related to a reporting entity if any of the following conditions applies:
  - i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - iii. both entities are joint ventures of the same third party;
  - iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - vi. the entity is controlled or jointly controlled by a person identified in (a);
  - vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3 above, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

- (a) Critical judgements in applying the accounting policies

Other than the going concern assumption disclosed in Note 3(a), management is of the opinion that in the preparation of the financial statements there are no critical judgements made in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(b) Key sources of estimation uncertainty

#### Valuation of biological assets

The value of biological assets is measured at fair value less costs to sell. The fair value is estimated with reference to an independent professional valuation using the present value of expected net cash flows from the biological assets. Determining the present value of expected net cash flows requires the use of assumptions and estimates relating to growth, harvest yield per hectare, sales price, and costs and also choose a suitable discount rate in order to calculate the present value of those net cash flows.

Further details about the valuation of biological assets and the carrying amount of the Group's biological assets are disclosed in Note 15.

#### Post-employment benefits

The cost of the defined benefit pension plan and the present value of the pension obligation are calculated using actuarial valuation determined by an independent actuary. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, inflation rate, future salary increases, mortality rates and future pension increases.

Further details about the valuation of post-employment benefits obligations and the carrying amount of the Group's post-employment benefits liabilities are disclosed in Note 29.

#### Impairment of investment in subsidiaries

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. This requires an estimation of the recoverable amount of the cash-generating unit ("CGU") and is determined based on value in use calculation ("VIU"). The VIU is based on discounted cash flow forecast of the CGU, the preparation of which requires management to use assumptions and estimates relating to revenue growth rate, budgeted gross margin, terminal growth rate and discount rate of the CGU. The assumptions and estimates used are inherently subjective, and may be affected by uncertainties around future market or economic conditions.

The carrying amount of the Company's investment in subsidiaries and details on the impairment testing are disclosed in Note 14.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

#### (b) Key sources of estimation uncertainty (cont'd)

##### Allowance for expected credit loss of trade receivables

The Group uses a provision matrix to calculate allowance for expected credit loss ("ECL") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates in the recent past 2 years. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECL on the Group's trade receivables is disclosed in Note 35(a). The carrying amount of the Group's trade receivables and the related loss allowance is disclosed in Note 20.

##### Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

The information on the Group's income tax and deferred tax provisions are disclosed in Note 11 and Note 17, respectively.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 5 Revenue from Contracts with Customers

	Group	
	2020 Rp'million	2019 Rp'million
<u>Principal geographical markets</u>		
Indonesia	1,396,728	2,161,290
North Asia	784,317	938,833
United States of America	510,784	152,362
Malaysia	297,035	383,910
Singapore	141,422	215,471
South East Asia	30,488	25,350
Europe	13,297	31,812
Middle East	10,134	24,624
Australia	5,633	17,610
Others	4,896	4,233
Sales of goods at point in time	<u>3,194,734</u>	<u>3,955,495</u>

### 6 Finance Income

Finance income mainly relates to interest income.

### 7. Other Income

	Group	
	2020 Rp'million	2019 Rp'million
Net gain on disposal of property, plant, and equipment	1,106	1,077
Net gain on change in fair value of biological assets	127,979	6,553
Gain on disposal of land use rights	931	-
Income from insurance claim	6	3,219
Net foreign exchange gain	-	10,644
Reversal of allowance for advances to suppliers	-	2,466
Forfeiture of customer's deposits	-	19,674
Others	6,403	3,039
	<u>136,425</u>	<u>46,672</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 8 Finance Expenses

	Group	
	2020 Rp'million	2019 Rp'million
Interest expense on:		
Bank charges	7,090	6,969
Amortisation of loan transaction costs	6,645	7,666
Bank borrowings	85,145	83,306
Bank borrowings from a related party	6,154	5,427
Interest on lease liabilities	5,247	2,189
	<u>110,281</u>	<u>105,557</u>

### 9 Other Expenses

	Group	
	2020 Rp'million	2019 Rp'million
Net foreign exchange loss*	18,918	-
Worker separation expenses	11,330	8,226
Amortisation of land use rights	4,395	4,006
Inventories written-down	79	11
Bad debts written off – trade	3,845	-
Allowance for advances to suppliers	744	-
Others	1,446	1,489
	<u>40,757</u>	<u>13,732</u>

\* Included were unrealised net fair value gains on foreign exchange forward contracts amounted to Rp5,412 million, the details of which are disclosed in Note 35(b).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 10 (Loss)/Profit before Income Tax

Other than as disclosed elsewhere in the financial statements, the following items have been included in arriving at (loss)/profit before income tax:

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
Audit fees:		
Auditor of the Company	1,490	1,290
Other auditors	2,201	1,711
Factory overheads	951,498	1,222,555
Salaries and employee benefits*:		
Directors' fees	2,466	2,223
Salaries & bonuses	801,002	942,173
Equity-settled performance share plan	1,247	4,248
Defined contribution plan benefits	63,238	64,801
Employee other short-term benefits	3,030	10,537
Post-employment benefits	45,598	50,603
	916,581	1,074,585
Short-term leases expense	1,826	9,133
Depreciation of property, plant and equipment	108,033	104,437
Depreciation of right-of-use assets	16,198	3,310

\* During the financial year, salaries and employee benefits allocated to cost of sales, selling expenses and general and administrative expenses amounted to Rp672,550 million (2019: Rp810,530 million) and Rp244,031 million (2019: Rp264,055 million), respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 11 Income Tax

<b>Group</b>	
2020	2019
Rp'million	Rp'million

#### Consolidated income statement

##### Current income tax:

Current year	3,935	17,893
Under/(Over) provision in respect of previous years	3,994	(1,161)
	7,929	16,732

##### Deferred tax:

Origination and reversal of temporary differences	11,147	(4,180)
Income tax expense recognised in profit or loss	19,076	12,552

#### Consolidated statement of comprehensive income

##### Deferred tax:

Net actuarial loss on post-employment benefits	(3,754)	(8,879)
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A reconciliation between income tax and the product of accounting (loss)/profit multiplied by the applicable corporate tax rates for the financial year is as follows:

<b>Group</b>	
2020	2019
Rp'million	Rp'million

(Loss)/Profit before income tax	(17,825)	18,294
Tax at domestic rates applicable in the countries where the Group operates	(3,235)	7,044
Non-deductible expenses	3,696	17,092
Income not subject to tax	(71)	(17)
Effect of partial tax exemption and tax relief	(187)	(186)
Utilisation of unused tax losses previously not recognised	(51)	(10,220)
Effect of change of tax rate	7,409	-
Deferred tax assets not recognised for the current year tax losses	7,521	-
Under/(Over) provision of current income tax in respect of previous years	3,994	(1,161)
Income tax expense recognised in profit or loss	19,076	12,552

The corporate income tax applicable to the entities in Singapore is 17% (2019: 17%). The corporate income tax rate applicable to the subsidiaries in Indonesia is 22% (2019: 25%).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 11 Income Tax (cont'd)

#### Unutilised tax losses

As at 31 December 2020, the Group has unutilised tax losses of approximately Rp219,900 million (2019: Rp69,400 million) which can be carried forward and used to offset against future taxable income of those Group entities in which the tax losses arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective jurisdictions in which they operate.

As at 31 December 2020, deferred tax benefits from the foregoing unutilised tax losses amounting to Rp95,200 million (2019: Rp61,000 million) have not been recognised due to uncertainty of its recoverability.

The unutilised tax losses of the Group's entities in Singapore have no expiry date, while the unutilised tax losses of the Group's entities in Indonesia expires 5 years from the year the tax losses arose.

#### Temporary differences on undistributed earnings

A deferred tax liability of approximately Rp2,357 million (2019: Rp391 million) has not been recognised in these financial statements for withholding taxes that would be payable on the undistributed earnings of the Group's foreign subsidiaries as the Group is able to control the timing of dividend distributions of the subsidiaries and has determined that these undistributed earnings will not be distributed in the foreseeable future.

### 12 (Loss)/Earnings per Share

Basis (loss)/earnings per share are calculated by dividing the (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted (loss)/earnings per share are calculated by dividing (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 12 (Loss)/Earnings per Share (cont'd)

The following reflects the (loss)/profit and share data used in the computation of basic and diluted (loss)/earnings per share for the financial year:

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
(Loss)/Profit of the year attributable to owners of the Company used in computation of (loss)/earnings per share	(91,997)	4,610
	<u>Number of ordinary shares</u>	
Weighted average number of ordinary shares used for basic (loss)/earnings per share computation	2,380,414,329	2,377,150,505
Effects of dilution:		
- Samko Performance Share Plan	-*	1,023,954
Weighted average number of ordinary shares used for diluted (loss)/earnings per share computation	2,380,414,329	2,378,174,459

\* Diluted (loss) per share as at 31 December 2020 is the same as the basic (loss) per share because the potential ordinary shares are excluded from the weighted average number of ordinary shares used for diluted loss per share computation as their effect would be to decrease the (loss) per share and therefore considered to be anti-dilutive.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 13 Property, Plant and Equipment

Group	Buildings and improvements Rp/million	Machinery and heavy equipment Rp/million	Electrical installations Rp/million	Vehicles Rp/million	Furniture, fixtures and equipment Rp/million	Construction in progress			Total Rp/million
						Buildings Rp/million	Machinery Rp/million		
<b>Cost</b>									
At 1 January 2020	343,683	1,311,615	50,380	52,113	167,037	7,905	25,321		1,958,054
Additions	6,110	17,059	-	198	2,104	24,294	34,023		83,788
Disposals	-	(8,665)	-	(706)	(75)	-	-		(9,446)
Assets acquisition (Note 33)	1,257	-	-	70	273	32,407	-		34,007
Reclassifications	10,978	16,439	3,023	815	1,106	(13,911)	(37,692)		(19,242)
Translation reserve	-	-	-	6	32	-	-		38
At 31 December 2020	362,028	1,336,448	53,403	52,496	170,477	50,695	21,652		2,047,199
Accumulated depreciation and impairment									
At 1 January 2020	181,088	1,046,754	39,231	48,547	110,484	-	-		1,426,104
Depreciation charge for the year	15,180	64,061	2,830	3,381	22,581	-	-		108,033
Disposals	-	(7,996)	-	(706)	(75)	-	-		(8,777)
Reclassifications	158	(292)	-	7	7	-	-		(120)
Translation reserve	-	-	-	5	31	-	-		36
At 31 December 2020	196,426	1,102,527	42,061	51,234	133,028	-	-		1,525,276
Net book value									
At 31 December 2020	165,602	233,921	11,342	1,262	37,449	50,695	21,652		521,923

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 13 Property, Plant and Equipment (cont'd)

	Buildings and improvements		Machinery and heavy equipment		Electrical installations		Vehicles		Furniture, fixtures and equipment		Construction in progress		Leased assets			Total Rp'million	
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million		Rp'million
<b>Group</b>																	
<b>Cost</b>																	
At 1 January 2019	327,855	1,235,295	47,705	51,721	152,144						784	11,562	18,205	917	1,846,188		
Additions	7,831	63,829	65	360	14,682						22,367	90,820	-	-	199,954		
Disposals	-	(5,957)	-	(11)	(29)						-	-	-	-	(5,997)		
Reclassifications	7,997	18,448	2,610	49	327						(15,246)	(12,821)	-	-	1,364		
Reclassifications due to effect of adopting SFRS(I) 16	-	-	-	-	-						-	(61,960)*	(18,205)*	(917)*	(81,082)		
Translation reserve	-	-	-	(6)	(87)						-	(2,280)	-	-	(2,373)		
At 31 December 2019	343,683	1,311,615	50,380	52,113	167,037						7,905	25,321	-	-	1,958,054		
<b>Accumulated depreciation and impairment</b>																	
At 1 January 2019	167,236	989,053	36,682	46,597	89,088						-	-	10,567	96	1,339,319		
Depreciation charge for the year	13,851	62,586	2,552	1,941	23,507						-	-	-	-	104,437		
Disposals	-	(5,507)	-	(11)	(17)						-	-	-	-	(5,535)		
Reclassifications	1	622	(3)	24	(2,008)						-	-	-	-	(1,364)		
Reclassifications due to effect of adopting SFRS(I) 16	-	-	-	-	-						-	-	(10,567)**	(96)*	(10,663)		
Translation reserve	-	-	-	(4)	(86)						-	-	-	-	(90)		
At 31 December 2019	181,088	1,046,754	39,231	48,547	110,484						-	-	-	-	1,426,104		
<b>Net book value</b>																	
At 31 December 2019	162,595	264,861	11,149	3,566	56,553						7,905	25,321	-	-	531,950		

\* In 2019, the Group had reclassified the net carrying amount of Rp8,459 million of leased assets acquired under finance leases to right-of-use assets on 1 January 2019 (upon adoption of SFRS(I) 16 Leases) and had recognised an additional Rp61,960 million of leased assets under finance lease to right-of-use assets.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 13 Property, Plant and Equipment (cont'd)

#### Depreciation

During the financial year, depreciation charges allocated to cost of sales and general and administrative expenses amounted to Rp77,429 million (2019: Rp80,764 million) and Rp30,604 million (2019: Rp23,673 million), respectively

#### Assets pledged as security

As at 31 December 2020, buildings and improvements, machinery and heavy equipment with an aggregate carrying amount of Rp471,849 million (2019: Rp448,183 million) are pledged as collateral for the Group's interest-bearing loans (Note 28).

<b>Company</b>	Furniture, fixtures and equipment Rp'million
Cost	
At 1 January 2019	413
Additions	8
Translation reserve	(17)
At 31 December 2019 and 1 January 2020	404
Additions	3
Translation reserve	6
At 31 December 2020	413
Accumulated depreciation	
At 1 January 2019	413
Depreciation charge for the year	**
Translation reserve	(17)
At 31 December 2019 and 1 January 2020	396
Depreciation charge for the year	3
Translation reserve	6
At 31 December 2020	405
Net book value	
At 31 December 2020	8
At 31 December 2019	8

\*\* Less than Rp1 million.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 14 Investment in Subsidiaries

	Company	
	2020 Rp'million	2019 Rp'million
<u>Unquoted shares, at cost</u>		
At 1 January	2,787,900	2,785,619
(Disposals)/Additions	(463)	2,281
At 31 December	<u>2,787,437</u>	<u>2,787,900</u>
Less: Allowance for impairment loss		
At 1 January	(1,960,621)	(1,960,621)
Disposals	463	-
At 31 December	<u>(1,960,158)</u>	<u>(1,960,621)</u>
	<u>827,279</u>	<u>827,279</u>

In 2020, the Company struck off its 51% owned subsidiary, Samko USA LLC. The subsidiary had been dormant since prior years and the disposal has no significant impact on the Company.

In 2019, the Company had incorporated two wholly owned subsidiaries, Samko Forestry Pte. Ltd. and PT Sempurna Kayu Abadi and with an issued and paid-up share capital of Rp1,031 million and Rp1,250 million, respectively, fully paid in cash.

The subsidiaries of the Company at the end of the reporting period are set out below.

Name of subsidiary/ Country of incorporation	Principal activities	Percentage of effective equity interest held by the Company	
		2020 %	2019 %
<b>Held by the Company</b>			
PT Sumber Graha Sejahtera (Indonesia) (1)	Production of plywood, laminated veneer lumber wood panels and wood based furniture	100	100
Samko Trading Pte. Ltd. (Singapore) <sup>(2)</sup>	Wholesale of plywood, sawn timber, logs and related products	100	100
Samko Forestry Pte. Ltd. (Singapore) <sup>(2)</sup>	Investment holding	100	100
Bioforest Pte. Ltd. (Singapore) <sup>(2)</sup>	Investment holding	100	100
Samko USA LLC (USA)	Dormant	-	51
PT Sempurna Kayu Abadi (Indonesia)	Dormant	100	100

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 14 Investment in Subsidiaries (cont'd)

Other significant subsidiaries of the Group at the end of the reporting period are set out below.

Name of subsidiary/ Country of incorporation	Principal activities	Percentage of effective equity interest held by the Company	
		2020 %	2019 %
<b>Held by Samko Trading Pte. Ltd.</b>			
PT Anugrah Karunia Alam (Indonesia) <sup>(1)</sup>	Wholesale of plywood, sawn timber, logs and related products	100	100
PT Alam Raya Makmur (Indonesia) <sup>(1)</sup>	Wholesale of plywood, sawn timber, logs and related products	100	100
<b>Held by PT Sumber Graha Sejahtera and Samko Trading Pte Ltd</b>			
PT Sempurna Graha Abadi (Indonesia) <sup>(1)</sup>	Investment holdings	100	100
<b>Held by PT Sempurna Graha Abadi</b>			
PT Sumber Graha Maluku (Indonesia) <sup>(1)(3)</sup>	Investment holdings	51	-
<b>Held by PT Sumber Graha Maluku</b>			
PT Mangole Timber Producers (Indonesia) <sup>(1)(3)</sup>	Production of plywood and wood based furniture	51	-
PT Kirana Cakrawala (Indonesia) <sup>(1)(3)</sup>	Production of plywood and wood based furniture	51	-
PT Kalpika Wanatama (Indonesia) <sup>(1)(3)</sup>	Production of plywood and wood based furniture	51	-
PT Bina Mahoni Utama (Indonesia) <sup>(1)(3)</sup>	Production of plywood and wood based furniture	51	-
PT. Wiranusa Trisatrya (Indonesia) <sup>(1)(3)</sup>	Production of plywood and wood based furniture	51	-

(1) Audited by Mirawati Sensi Idris, Jakarta – a member of Moore Global Network Limited.

(2) Audited/Reviewed by Moore Stephens LLP Singapore.

(3) Acquired during the current financial year, refer to Note 33.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 14 Investment in Subsidiaries (cont'd)

#### Impairment testing

At the reporting date, management performed an impairment assessment of the Company's investment in PT Sumber Graha Sejahtera ("PT SGS"), as the carrying amount of the Company's investment in PT SGS amounting to Rp793,832 million, net of allowance for impairment loss of Rp1,904,846 million, exceeded the net assets of PT SGS as at that date.

The recoverable amount of PT SGS, the cash-generating unit, has been determined based on value in use calculation using cash flow forecasts covering a five-year period. The discount rate applied to the cash flow forecasts, forecasted growth rate, budgeted gross margin, and the terminal growth rate used to extrapolate cash flow projections beyond the five-year period are discussed below.

- (i) Revenue and budgeted margins for the five-year period are projected based on sales secured with customers along with forecasted demand with reference to past revenues earned and adjusted for forward-looking economic conditions for the first year and thereafter with a forecasted average annual revenue growth rate of 2% (2019: average annual revenue growth rate of 1%).
- (ii) Average annualised projection rate of 2.5% (2019: 3%) for overheads and other general expenses.
- (iii) Terminal growth rate of Nil (2019: Nil) has been used for terminal value.
- (iv) Discount rate of 18% (2019: 14%) which represents the current market assessment of the risks specific to PT SGS.

Based on the impairment testing, the estimated recoverable amount of PT SGS exceeded its carrying amount by approximately 30% (2019: 31%). Accordingly, management concluded that no additional allowance for impairment loss (2019: Nil) in respect of PT SGS is required as at year end.

#### *Sensitivity analysis*

If management's estimated average annual growth rate decreases by 1% (2019: 1%) or the estimated discount rate increases by 5% (2019: 5%), the estimated recoverable amount of PT SGS is still in excess of its carrying amount.

### 15 Biological Assets

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
<u>At fair value</u>		
At 1 January	52,620	44,294
Assets acquisition (Note 33)	230,433	-
Capitalisation of expenses	3,692	1,773
Net gain in fair value less expected costs to sell	127,979	6,553
At 31 December	414,724	52,620

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 15 Biological Assets (cont'd)

The Group's plantations are located in Java, Sumatera and Sulawesi with total planted areas that cover 1,397 hectares (2019: 1,397 hectares). The plantations located in Maluku, which were acquired as part of the assets acquisition during the current financial year, have total planted areas that cover 30,352 hectares.

The Group's plantation trees in Java, Sumatera and Sulawesi consist of *Gmelina Arborea*, *Paraserianthes Falcataria*, *Anthocephalus Cadamba* and *Tectona Grandis* with 37% (2019: 70%) aged between 5 – 7 years and 63% (2019: 30%) aged more than 7 years. The plantation trees in Maluku consist of *Gmelina Arborea* and *Paraserianthes Falcataria* which are aged more than 7 years.

As at 31 December 2020, biological assets with an aggregate carrying amount of Rp386,116 million (2019: Nil) are pledged as collateral for the Group's interest-bearing loans (Note 28).

#### Fair value measurement

The fair value of the biological assets is estimated with reference to an independent professional valuation using the present value of expected net cash flows from the biological assets.

The valuation for the plantation trees in Java, Sumatera and Sulawesi is based on the following key assumptions and inputs:

- (i) No new planting or re-planting activities are assumed.
- (ii) The year of tree planting is between 5 to 13 years.
- (iii) Estimated yield in cubic meter per hectare.
- (iv) Market price is derived from Java's average market log price per species.
- (v) Inflation rate is 3.66% (2019: 3.50%) based on the average of last 5 years.
- (vi) Discount rate is 11.99% (2019: 11.97%).

The valuation for the plantation trees in Maluku is based on the following key assumptions and inputs:

- (i) No new planting or re-planting activities are assumed.
- (ii) The year of tree planting is between 17 to 28 years.
- (iii) Estimated yield in cubic meter per hectare.
- (iv) Market price is derived from Java's average market log price per species.
- (v) Inflation rate is 3.66% (2019: 3.50%) based on the average of last 5 years.
- (vi) Discount rate is 11.99%.

#### Financial risk

The Group is exposed to financial risk in respect of agricultural activity. The agricultural activity of the Group consists of the management of biological assets to produce marketable output. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of biological assets and on harvesting and ultimately receiving cash from the sale of the marketable output. The Group plans for cash flow requirements for such activities and manages its debt and equity portfolio actively.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 16 Land Use Rights

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
<u>Cost</u>		
At 1 January	106,153	105,021
Additions	4,511	1,132
Assets acquisition (Note 33)	18,651	-
Disposals	(8)	-
At 31 December	129,307	106,153
<u>Accumulated amortisation</u>		
At 1 January	54,648	50,642
Amortisation	4,395	4,006
Disposals	(4)	-
At 31 December	59,039	54,648
<u>Net book value</u>		
At 31 December	70,268	51,505
Amount to be amortised:		
- Not later than one year	4,395	4,006
- Later than one year but not later than five years	13,980	13,980
- Later than five years	51,893	33,519

The land use rights (comprising 640 hectares (2019: 398 hectares)) of land in Indonesia are transferable and have a remaining tenure ranging from 2 to 53 years (2019: 8 to 54 years).

As at 31 December 2020, land use rights with an aggregate carrying amount of Rp60,229 million (2019: Rp40,602 million) are pledged as collateral for the Group's interest-bearing loans (Note 28).

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**17 Deferred Tax**

Deferred tax at the end of the reporting period relates to the following:

	<b>Group</b>					
	Consolidated statement of financial position		Consolidated profit or loss		Consolidated other comprehensive income	
	2020	2019	2020	2019	2020	2019
	Rp/million	Rp/million	Rp/million	Rp/million	Rp/million	Rp/million
Deferred tax assets						
Unutilised tax losses*	27,434	2,082	25,352	(1,109)	-	-
Difference in post-employment benefits obligation	71,509	71,543	(3,814)	8,465	3,754	8,879
Allowance for incentives	81	92	(11)	-	-	-
Allowance for impairment loss of financial assets	596	677	(81)	248	-	-
Allowance/(Reversal of) for advances to suppliers	100	(70)	170	(1,283)	-	-
Effect of change in fair value of biological assets	5,926	297	5,629	297	-	-
Difference in depreciation for tax purposes	5,222	3,242	1,980	660	-	-
Other items	261	286	(25)	(28)	-	-
	<u>111,129</u>	<u>78,149</u>				
Deferred tax liabilities						
Effect of change in fair value of biological assets	(33,819)	-	(33,819)	-	-	-
Difference in accounting and tax treatment of leases	(9,689)	(3,161)	(6,528)	(3,070)	-	-
	<u>(43,508)</u>	<u>(3,161)</u>				
Deferred tax (charged)/credited to profit or loss/other comprehensive income**			<u>(11,147)</u>	<u>4,180</u>	<u>3,754</u>	<u>8,879</u>

\* The deferred tax assets arose from a subsidiary's unutilised tax losses of approximately Rp124,700 million (2019: Rp8,330 million), which can be carried forward and it is probable to be used to offset against future taxable income of the subsidiary.

\*\* In 2020, the amount included Rp7,409 million and Rp1,559 million which have been charged to the consolidated profit or loss and consolidated statement of comprehensive income, respectively, being the effect of change of tax rate from 25% to 22% for the subsidiaries in Indonesia.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 18 Other Non-Current Assets

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
Advances for purchase of property, plant and equipment	4,854	32,507	-	-
Guarantee deposits – net	4,527	603	-	-
Estimated claim for tax refund	600	1,190	-	-
Other advances	1,519	3,662	-	-
	<b>11,500</b>	<b>37,962</b>	<b>-</b>	<b>-</b>

### 19 Inventories

	Group	
	2020 Rp'million	2019 Rp'million
<u>Consolidated statement of financial position</u>		
<i>At cost</i>		
Raw materials	14,363	57,687
Work in progress	385,805	294,115
Indirect materials and spare parts	96,367	130,676
<i>At lower of cost and net realisable value</i>		
Finished goods	380,106	511,982
	<b>876,641</b>	<b>994,460</b>
<u>Consolidated income statement</u>		
Inventories recognised as an expense in cost of sales	1,254,160	1,518,877
Inventories written-down in other expenses	79	11

As at 31 December 2020, inventories with an aggregate carrying amount of Rp773,034 million (2019: Rp849,234 million) are pledged as collateral for the Group's interest-bearing loans (Note 28).



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**20 Trade and Other Receivables**

	<b>Group</b>		<b>Company</b>	
	2020 Rp/million	2019 Rp/million	2020 Rp/million	2019 Rp/million
Trade receivables, net of allowance				
- Third parties	345,753	315,896	42,701	30,363
Other receivables, net of allowance				
- Third parties	117,525	148,371	19	9
- Subsidiaries	-	-	71,097	18,886
<i>Total trade and other receivables</i>	463,278	464,267	113,817	49,258
Less: Other receivables (see below)	(97,634)	(101,968)	-	-
Add:				
Guarantee deposits - net (Note 18)	4,527	603	-	-
Restricted deposits (Note 23)	6,196	6,274	-	-
Cash at banks and on hand (Note 24)	30,322	13,474	770	1,564
<i>Total financial assets carried at amortised costs</i>	406,689	382,650	114,587	50,822

Trade receivables are non-interest bearing and are generally on 30 to 90 days credit terms.

As at 31 December 2020, trade receivables with an aggregate carrying amount of Rp158,371 million (2019: Rp188,116 million) are pledged as collateral for the Group's interest-bearing loans (Note 28).

The Group has purchase arrangements with certain suppliers of logs where the Group will fund the suppliers' machinery and offset by future delivery of logs from the suppliers. As at 31 December 2020, these receivables (included in other receivables – third parties) amounted to Rp97,634 million (2019: Rp101,968 million).

Other receivables from subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand in cash.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 20 Trade and Other Receivables (cont'd)

At the end of the reporting period, trade and other receivables denominated in the currencies of which have exposure to foreign currency risk (Note 35(b)) are as follows:

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
United States Dollar	9,168	5,328	-	-
Singapore Dollar	-	-	5,433	9,819

#### Expected credit loss

The movements in the loss allowance for trade and other receivables during the financial year are as follows:

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
At 1 January	31,475	45,579	1,513	1,576
Allowance for the year	346	516	-	-
Written-off	(627)	(14,326)	(416)	-
Translation	487	(294)	7	(63)
At 31 December	31,681	31,475	1,104	1,513

As at 31 December 2020, the above loss allowances included Rp3,440 million and Rp620 million (2019: Rp3,391 million and Rp620 million) for other receivables of the Group and the Company, respectively.

### 21 Prepaid Operating Expenses

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
Value-added tax and income taxes	47,745	35,426	94	126
Loan facility fees*	18,620	-	-	-
Insurance	14,514	15,078	40	40
Freight	5,266	-	-	-
Short-term leases	2,329	4,339	-	-
Prepayment for logging permits	2,146	19,168	-	-
Others	3,379	2,035	371	365
	93,999	76,046	505	531

Loan facility fees were paid to the banks for bank facilities of US\$60 million granted to the Group (see Note 28). These bank facilities have not been utilised by the Group as at year end.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 22 Advances to Suppliers

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
For the procurement of, net of allowance:				
- Logs	40,468	75,653	-	1,492
- Veneers	16,453	3,407	-	-
- Spare parts	8,504	13,537	-	-
	<b>65,425</b>	<b>92,597</b>	<b>-</b>	<b>1,492</b>

The movements in the allowance for impairment loss of advances to suppliers during the financial year are as follows:

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
At 1 January	6,265	9,792	-	-
Allowance/(Reversal of) for the year	744	(2,466)	-	-
Written-off	(4,863)	(1,061)	-	-
At 31 December	<b>2,146</b>	<b>6,265</b>	<b>-</b>	<b>-</b>

### 23 Restricted Deposits

Restricted deposits represent escrow accounts opened and maintained with a financial institution and are pledged as collateral for the Group's interest-bearing loans (Note 28).

At as 31 December 2020, restricted deposits denominated in United States Dollar of which have exposure to foreign currency risk (Note 35(b)) amounted to Rp3,638 million (2019: Rp3,768 million).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 24 Cash at Banks and On Hand

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
Cash at banks	29,701	12,835	770	1,564
Cash on hand	621	639	-	-
Cash and cash equivalents as per statement of cash flows	<b>30,322</b>	<b>13,474</b>	<b>770</b>	<b>1,564</b>
Interest rate per annum	0.1 – 2.0%	0.1 - 2.0%	0.1%	0.1%

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At as 31 December 2020, cash at banks and on hand denominated in the currencies of which have exposure to foreign currency risk (Note 35(b)) are as follows:

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
United States Dollar	14,451	2,762	-	-
Singapore Dollar	765	1,158	44	406

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**25 Trade and Other Payables**

	<b>Group</b>		<b>Company</b>	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
Trade payables				
- Third parties	362,549	455,232	-	18
- Related parties	1,166	1,225	-	-
- Subsidiaries	-	-	56,260	33,503
Other payables				
- Third parties	88,140	54,736	1,763	1,928
- Subsidiary	-	-	1,250	1,250
<i>Total trade and other payables</i>	<i>451,855</i>	<i>511,193</i>	<i>59,273</i>	<i>36,699</i>
Add:				
Other liabilities* (Note 26)	28,656	154,311	306,528	269,229
Loans and borrowings (Note 28)	1,435,530	1,172,771	-	-
Lease liabilities (Note 32)	90,450	127,201	-	-
<i>Total financial liabilities carried at amortised cost</i>	<i>2,006,491</i>	<i>1,965,476</i>	<i>365,801</i>	<i>305,928</i>

\* Excludes post-employment benefits and value-added tax.

Trade payables – third parties are non-interest bearing and are normally settled on 60-days credit terms.

Trade payables – related parties and subsidiaries are unsecured, non-interest bearing and repayable on demand in cash.

Other payables – subsidiary is non-trade related, unsecured, non-interest bearing and repayable on demand in cash.

As at 31 December 2020, trade and other payables denominated in currencies of which have exposure to foreign currency risk (Note 35(b)) are as follows:

	<b>Group</b>		<b>Company</b>	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
United States Dollar	16,351	47,230	-	-
Singapore Dollar	2,442	1,571	1,232	1,489

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 26 Other Liabilities

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
<u>Current</u>				
Post-employment benefits (Note 29)	28,274	24,594	-	-
Accrual for operating expenses	24,271	41,820	2,369	2,244
Value-added tax	4,484	2,144	262	177
Accrued interest expense	4,320	4,342	-	-
Others	65	66	-	-
	<b>61,414</b>	<b>72,966</b>	<b>2,631</b>	<b>2,421</b>
<u>Non-current</u>				
Amount due to a subsidiary	-	-	304,159	266,985
Loan from a third party	-	98,083	-	-
Loan from a customer	-	10,000	-	-
	<b>-</b>	<b>108,083</b>	<b>304,159</b>	<b>266,985</b>
<i>Total other liabilities</i>	<b>61,414</b>	<b>181,049</b>	<b>306,790</b>	<b>269,406</b>
Balances denominated in currency of which have exposure to foreign currency risk (Note 35(b)):				
Singapore Dollar	<b>2,672</b>	<b>2,617</b>	<b>2,369</b>	<b>2,245</b>

Amount due to a subsidiary is non-trade related, unsecured, non-interest bearing and not expected to be repaid within the next twelve months.

Loan from a third party was unsecured, interest-free in the first year and incurred interest at a rate of 15% per annum. The loan has been fully repaid in 2020.

Loan from a customer was non-trade related, unsecured, incurred interest at a rate of 7% per annum for the first three months and interest-free thereafter. The loan had no fixed terms of repayment and has been fully repaid in 2020.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 27 Advances from Customers

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
Local	3,514	4,736	-	-
Export	847	3,399	757	1,327
	<u>4,361</u>	<u>8,135</u>	<u>757</u>	<u>1,327</u>

Advances from customers (contract liabilities) represent advances received from customers for sales of the Group's/Company's products.

Significant changes in the contract liabilities during the financial year are disclosed as follows:

	Group		Company	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
Advances from customers recognised as revenue	8,135	7,736	1,327	-
Advance payments received for goods not yet transferred	<u>(4,361)</u>	<u>(8,135)</u>	<u>(757)</u>	<u>(1,327)</u>

### 28 Loans and Borrowings

	Group	
	2020 Rp'million	2019 Rp'million
<u>Current</u>		
Interest-bearing short-term bank loans <sup>(1)(2)</sup>	1,192,501	1,144,276
Interest-bearing long-term bank loans – current portion <sup>(2)(3)</sup>	46,478	-
	<u>1,238,979</u>	<u>1,144,276</u>
<u>Non-current</u>		
Interest-bearing long-term bank loans – non-current portion <sup>(2)(3)</sup>	126,125	28,495
Interest-bearing term notes <sup>(2)</sup>	70,426	-
	<u>196,551</u>	<u>28,495</u>
<i>Total loans and borrowings carried at amortised cost</i>	<u>1,435,530</u>	<u>1,172,771</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 28 Loans and Borrowings (cont'd)

- (1) Included in the interest-bearing short-term bank loans, an amount of Rp24,974 million (2019: Rp42,120 million) is bank borrowings from a related party, PT Bank Sahabat Sampoerna.
- (2) Included in the interest-bearing bank loans and term notes were deferred transaction costs netted-off of Rp4,607 million (2019: Rp3,050 million) and Rp3,889 million (2019: Rp461 million), classified under current and non-current liabilities, respectively, which are amortised over the terms of repayment of the respective loans and borrowings.
- (3) Included in the interest-bearing long-term bank loans, a principal loan amount of Rp150,000 million was granted in 2020 and is repayable over 48 monthly installments commencing from June 2021.

#### (a) Interest-bearing loans

	Group	
	2020 Rp'million	2019 Rp'million
(i) Total syndicate loans facilities from PT Bank OCBC NISP Tbk and OCBC Limited up to US\$59,395,000 (approximately: Rp837,766 million) (2019:US\$59,395,000 (approximately: Rp825,650 million) and Rp568,850 million (2019: Rp568,850 million) comprising term loans, demand loans, pre-shipment financing and bill purchase, post import financing non letter of credit or trade purchase financing, bank guarantee and foreign exchange line.	762,368	852,631

Term loans under syndicate loans facilities consist of US\$24,395,000 (2019: US\$24,395,000) and Rp209,300 million (2019: Rp209,300 million) incur interest at 1 month LIBOR plus 4.25% (2019: LIBOR plus 4.25%), and lender prime lending rate of 9.75% -11% (2019: lender prime lending rate of 11%) per annum, respectively. Term loans are repayable on monthly installments. The US\$ term loans facilities have been fully repaid in March 2021.

Working capital under syndicate loans facilities including bank guarantee and foreign exchange line of US\$35,000,000 (2019: US\$35,000,000) and Rp359,550 million (2019: Rp359,550 million) incur interest at COF plus 3% and 1 month LIBOR plus 3.5% (2019: COF plus 3% and 1 month LIBOR plus 3.5%) and lender prime lending rate of 9.75% - 11% (2019: lender prime lending rate of 11%) per annum, respectively.



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**28 Loans and Borrowings (cont'd)**

## (a) Interest-bearing loans (cont'd)

<b>Group</b>	
2020	2019
Rp'million	Rp'million

## (i) (cont'd)

Total bilateral loan facilities from PT Bank OCBC NISP Tbk up to US\$5,000,000 forex exchange line and Rp208,000 million comprising term loan and pre-shipment financing.

Term loan under bilateral loan facility of Rp150,000 million incur interest at lender prime lending rate of 9.75% - 10.25% per annum and repayable on monthly installments, commencing from June 2021.

Pre-shipment financing under bilateral loan facility of Rp58,000 million incur interest at lender prime lending rate of 9.75% - 10.25% (2019: 9.75% - 11%) per annum and is repayable within 75 days withdrawal.

The bank facilities include financial covenants which require a group of subsidiaries to maintain EBITDA to debt service ratio not less than 1.25 times, adjusted leverage ratio not more than 2.5 times, consolidated debt to EBITDA not more than 5.5 times, loan to value ratio not more than 75%, and adjusted current ratio not less than 1 time.

(ii)	US\$20,000,000 multi-currency specific advance facility from OCBC Limited and payable within 1 - 3 months. Interest rate per annum to be agreed at each withdrawal of advance.	282,100	278,020
(iii)	Rp60,000 million revolving overdraft facility from PT Bank Sahabat Sampoerna and is repayable in 12 months from the date of withdrawal and incur interest at 13.5% per annum.	24,974	42,120

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 28 Loans and Borrowings (cont'd)

(a) Interest-bearing loans (cont'd)

		<b>Group</b>	
		2020	2019
		Rp'million	Rp'million
(iv)	<p>Total facilities from PT Bank CTBC Indonesia up to US\$7,000,000 (approximately Rp84,087 million) comprise of short-term loan for working capital, procurement and export facility and foreign exchange line. These facilities are repayable within 4 months from the date of withdrawal and incur interest at lender prime lending rate plus 0.015% - 0.2% per annum.</p> <p>The bank facilities include financial covenants which require the lenders to maintain EBITDA to debt service ratio not less than 1 - 1.25 times, debt to equity ratio not more than 1.5 times, debt to EBITDA ratio not more than 5 times, current ratio not less than 1 time, and total amount of trade receivables, inventories, and advance to suppliers, minus trade payables more than the outstanding working capital loan.</p>	84,087	-
(v)	<p>US\$15,000,000 from PT Bank Woori Saudara Indonesia 1906 Tbk (approximately Rp211,575 million) working capital facility repayable in 12 months from the credit signing date and incur interest at 3-month LIBOR plus 3.75% per annum.</p> <p>The loan includes financial covenants which require the lenders to maintain EBITDA to interest expense ratio not less than 1.2 times and debt to asset ratio not more than 50%.</p>	211,575	-
(vi)	<p>3-year term of private placement of medium-term notes up to US\$20 million. In 2020, issued US\$3,000,000 and Rp30,000 million (total issued approximately Rp70,426 million) medium term notes repayable in 36 months from date of issuance and incur interest at fixed rates of 8.5% per annum for US\$ term note and 13% per annum for Rp term note.</p>	70,426	-

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**28 Loans and Borrowings (cont'd)**

## (a) Interest-bearing loans (cont'd)

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
Total interest-bearing loans	1,435,530	1,172,771
Effective interest rates per annum:		
USD loans and borrowings	2.87%	4.60%
	- 5.99%	- 6.76%
Rp loans and borrowings	9.75%	11.00%
	-13.50%	-13.50%
Repayable:		
Within one year	1,238,979	1,144,276
Between two and five years	196,551	28,495
	1,435,530	1,172,771
Balances denominated in currency of which have exposure to foreign currency risk (Note 35(b)):		
United States Dollar	492,406	434,558

In March 2020, the Group has obtained a new term loan and revolving credit facility amounting to US\$60 million from PT Bank OCBC NISP Tbk and OCBC Limited to finance PT Sumber Graha Maluku and its subsidiaries' capital expenditure and working capital. These bank facilities have not been utilised as at 31 December 2020.

The interest-bearing bank loans are secured over the Group's buildings and improvements, machinery and heavy equipment (Note 13), land use rights (Note 16), inventories (Note 19), trade receivables (Note 20), and restricted deposits (Note 23) held by certain subsidiaries. Further, all other assets of these subsidiaries are on negative pledge to the relevant lenders and some restrictions on dividend payment are imposed on them.

Financial covenants

During the current financial year, a subsidiary of the Group has not met certain financial covenants as set out in the loan agreements with PT Bank OCBC NISP Tbk. On 28 December 2020, the relevant bank has granted the subsidiary a waiver of having to comply with such financial covenants up to 31 December 2021. Accordingly, the related long-term loans amounting to Rp126,125 million continues to be classified under non-current liabilities as at year end.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 28 Loans and Borrowings (cont'd)

(a) Interest-bearing loans (cont'd)

#### Financial covenants (cont'd)

The subsidiary of the Group has also not met certain financial covenants as set out in the loan agreements with PT Bank CTBC Indonesia. Subsequent to the financial year end, the relevant bank has granted the subsidiary a waiver for the non-compliance with the financial covenants as at 31 December 2020. The bank will review the subsidiary's compliance in June 2021, as part of the subsidiary's half-yearly review. The related short-term loans amounting to Rp84,087 million are classified under current liabilities as at year end.

Management is of the opinion that the foregoing banks will continue to support the subsidiary notwithstanding the non-compliance with the financial ratio covenants which is technical in nature and moreover there are no loan repayments default by the subsidiary for the respective loans.

(b) Reconciliation of liabilities arising from financing activities

A reconciliation of liabilities arising from financing activities is as follows:

	Cash flows			Non-cash changes		Ending balance Rp'million
	Beginning balance Rp'million	Proceeds <sup>(1)</sup> Rp'million	Repayments Rp'million	Foreign exchange movement Rp'million	Non-cash items <sup>(2)</sup> Rp'million	
<b>Group</b>						
<u>2020</u>						
Loan from a third party (Note 26)	98,081	-	(98,081)	-	-	-
Loan from a customer (Note 26)	10,000	-	(10,000)	-	-	-
Interest-bearing loans:						
Short-term loans	1,102,156	4,274,325	(4,228,426)	7,240	34,835	1,190,130
Long-term loan	28,495	150,000	-	-	(28,495)	150,000
Medium-term notes	-	71,036	-	(915)	305	70,426
Bank overdraft	42,120	276,550	(293,696)	-	-	24,974
	1,172,771	4,771,911	(4,522,122)	6,325	6,645	1,435,530
Lease liabilities	127,201	-	(72,120)	1,451	33,918	90,450
	<u>1,408,053</u>	<u>4,771,911</u>	<u>(4,702,323)</u>	<u>7,776</u>	<u>40,563</u>	<u>1,525,980</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 28 Loans and Borrowings (cont'd)

(b) Reconciliation of liabilities arising from financing activities (cont'd)

A reconciliation of liabilities arising from financing activities is as follows: (cont'd)

	Cash flows			Non-cash changes		Ending balance Rp'million
	Beginning balance Rp'million	Proceeds <sup>(1)</sup> Rp'million	Repayments Rp'million	Foreign exchange movement Rp'million	Non-cash items <sup>(2)</sup> Rp'million	
<b>Group</b>						
<u>2019</u>						
Loan from a third party (Note 26)	-	98,081	-	-	-	98,081
Loan from a customer (Note 26)	-	10,000	-	-	-	10,000
Interest-bearing loans:						
Bank loans	1,076,460	4,255,078	(4,168,532)	(40,021)	7,666	1,130,651
Bank overdraft	26,186	413,433	(397,499)	-	-	42,120
	1,102,646	4,668,511	(4,566,031)	(40,021)	7,666	1,172,771
Lease liabilities	77,215	-	(45,486)	(943)	96,415	127,201
	1,179,861	4,776,592	(4,611,517)	(40,964)	104,081	1,408,053

(1) The proceeds of interest-bearing bank loans and term notes net of transaction costs of Rp9,436 million (2019: Rp6,624 million) and Rp2,194 million (2019: Nil), respectively.

(2) Mainly relates to amortisation of deferred transaction costs and interests.

### 29 Post-Employment Benefits

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit pension plan is as follows:

Group	
2020 Rp'million	2019 Rp'million

Post-employment benefits liabilities:

Current portion (Note 26)	28,274	24,594
Non-current portion	296,521	261,683
	324,795	286,277

The Group calculates and records post-employment benefits for its qualified employees based on Indonesia Labour Law No. 13/2003 dated March 2003. As at 31 December 2020, the number of employees entitled to the post-employment benefits was 6,233 (2019: 7,897).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 29 Post-Employment Benefits (cont'd)

The Group also has a defined contribution pension plan that covers certain permanent employees. This defined contribution pension plan is managed and administered by Dana Pensiun Manulife Indonesia which was established by the Group to manage the assets, generate investment income and pay the post-employment benefits to the employees.

The following tables summarise the components of provision for post-employment benefits included in the consolidated statement of financial position and consolidated income statement:

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
<u>Post-employment benefits liabilities</u>		
At 1 January	286,277	218,845
Expense during the year (see below)	45,598	50,603
Actual payments during the year:		
Employees	(23,644)	(4,640)
Dana Pensiun Manulife Indonesia	(6,000)	(14,000)
Actuarial loss during the year (see below)	22,564	35,469
At 31 December	<b>324,795</b>	<b>286,277</b>
<u>Post-employment benefits expense</u>		
Current service costs	28,316	30,694
Interest costs	19,759	19,064
Net curtailment effect or termination	(2,477)	(152)
Present value of additional employment	-	997
	<b>45,598</b>	<b>50,603</b>

The following table summarises the re-measurements, comprising of actuarial gains and losses, recognised in other comprehensive income:

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
Actuarial loss during the year before tax	(22,564)	(35,469)
Tax charge	3,754	8,874
Actuarial loss during the year after tax	<b>(18,810)</b>	<b>(26,595)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**29 Post-Employment Benefits (cont'd)**

The cost of providing post-employment benefits is calculated by an independent actuary, using the following key assumptions:

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
Discount rate per annum	7.18%	7.80% - 8.45%
Mortality table*	TMI III - 2011	TMI III - 2011
Rate of increase in compensation per annum	8%	8%
Retirement age	<u>55 years old</u>	<u>55 years old</u>

\* TMI III - 2011 refers to the Table of Mortality in Indonesia.

The sensitivity analysis below has been determined based on reasonably possible changes of the below key assumption on the post-employment benefits at the end of the reporting period, assuming if all other assumptions are held constant.

	Present value of obligations		Current service costs	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
As reported using discount rate of 7.18% (2019: 7.80% - 8.45%) per annum	324,795	286,277	45,598	50,603
Increase by 100 basis points	302,619	292,647	28,121	31,390
Decrease by 100 basis points	374,128	360,555	28,121	31,390

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 30 Share Capital

	Group and Company			
	2020		2019	
	Number of ordinary shares	Rp'million	Number of ordinary shares	Rp'million
Issued and fully paid:				
At 1 January	2,377,150,505	537,603	2,377,150,505	2,502,305
Issuance of shares under Samko Performance Share Plan (Note 31(a))	7,685,778	1,425	-	-
Capital reduction to reduce share capital	-	-	-	(1,964,702)
At 31 December	<b>2,384,836,283</b>	<b>539,028</b>	<b>2,377,150,505</b>	<b>537,603</b>

#### Capital reduction to reduce share capital

As approved by the Company's shareholders in the Extraordinary General Meeting held on 21 October 2019, the Company had written-off the accumulated losses up to 31 December 2018 by reducing the share capital of the Company. The capital reduction represented merely a change in the composition of equity and does not entail any reduction or distribution of cash or other assets of the Company.

### 31 Other Reserves and Non-controlling Interests

#### (a) Other reserves

##### Restructuring reserve

Restructuring reserve of the Group represents the difference between the nominal value of shares issued in exchange for the nominal value of shares and reserves of subsidiaries acquired under common control, in accordance with the principles of merger accounting.

##### Premium paid on acquisition of non-controlling interests

Premium paid on acquisition of non-controlling interest of the Group represents the difference between the consideration paid and the nominal value of shares and reserves acquired.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 31 Other Reserves and Non-controlling Interests (cont'd)

Other reserves (cont'd)

#### Performance Share Plan ("PSP") reserve

Performance share plan reserve represents the equity-settled share awards granted to employees under the Samko Performance Share Plan (the "Samko PSP"). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share awards, and is reduced by the expiry or release of the share awards.

On 29 August 2018, the Company had granted 21,653,058 of share awards ("2018 Awards") under the Samko PSP to Riko Setyabudhy Handoko, Executive Director and Chief Executive Officer of the Company (the "CEO") for his performance from 2016 to 2018, subject to certain vesting periods as disclosed below.

<b>Group/Company</b>	Number of share awards
<u>2018 Awards</u>	
- Vest on 29 August 2018	3,100,000
- Vest on 27 June 2020	7,685,778
- Vest on 27 June 2021	<u>10,867,280</u>
	<u>21,653,058</u>

On 13 September 2019, the Company had granted an additional 12,467,532 of share awards ("2019 Awards") under the Samko PSP to the CEO for his performance in 2019, subject to the vesting period as disclosed below.

<b>Group/Company</b>	Number of share awards
<u>2019 Awards</u>	
- Vest on 27 June 2022	<u>12,467,532</u>

No share awards were granted during the current financial year.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 31 Other Reserves and Non-controlling Interests (cont'd)

(a) Other reserves (cont'd)

#### Performance Share Plan ("PSP") reserve (cont'd)

Share awards granted and released during the financial year, and share awards outstanding as at the end of the financial year, are as follows:

	At the beginning of year	Share awards granted	Share awards released	At the end of year
<b>Group/Company</b>				
<u>2020</u>				
2019 Awards	12,467,532	-	-	12,467,532
2018 Awards	18,553,058	-	(7,685,778)	10,867,280
<u>2019</u>				
2019 Awards	-	12,467,532	-	12,467,532
2018 Awards	18,553,058	-	-	18,553,058

During the current financial year, 7,685,778 (2019: Nil) of share awards were released and 23,334,812 (2019: 31,020,590) of share awards are outstanding at the end of the reporting date.

Movements in the performance share plan reserve of the Group during the financial year are disclosed in the Group's consolidated statement of changes in equity.

#### Fair value measurement

The fair value of the PSP granted was estimated by management using the last traded price as at the date of grant less the present value of expected dividend during the vesting period as a valuation basis.

The relevant inputs to the fair value model and the fair value of the share awards determined as at the date of grant are shown below.

	2019 Award	2018 Award
Dividend yield (%)	Nil	Nil
Expected volatility (%)	Nil	Nil
Last traded share price (\$\$ cents)	0.020 (Rp209)	0.020 (Rp209)

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**31 Other Reserves and Non-controlling Interests (cont'd)**

## (a) Other reserves (cont'd)

Foreign currency translation reserve

Foreign currency translation reserve of the Group/Company represents exchange differences arising from the translation of the financial statements of the group entities' operations whose functional currencies are different from that of the Group's presentation currency.

Movements in the foreign currency translation reserve of the Group during the financial year are disclosed in the Group's consolidated statement of changes in equity.

## (b) Non-controlling interests

Movements in the non-controlling interests during the financial year are disclosed in the Group's consolidated statement of changes in equity.

The Group has the following subsidiary that has material non-controlling interests ("NCI") at the end of the reporting period:

Name of subsidiary	Proportion of ownership interest and voting rights held by NCI	Profit/(Loss)	Other comprehensive income/(loss)	Accumulated NCI
		allocated to NCI	allocated to NCI	NCI
		Rp/million	Rp/million	Rp/million
<u>2020</u>				
PT Sumber Graha Maluku and its subsidiaries*	49%	56,692	-	306,612
Individual immaterial subsidiaries with NCI		(1,596)	(83)	3,896
		<u>55,096</u>	<u>(83)</u>	<u>310,508</u>
<u>2019</u>				
Individual immaterial subsidiaries with NCI		<u>1,132</u>	<u>43</u>	<u>4,857</u>

\* Group entities refer to Note 14.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 31 Other Reserves and Non-controlling Interests (cont'd)

#### (b) Non-controlling Interests (cont'd)

PT Sumber Graha Maluku and its subsidiaries were acquired via the assets acquisition during the current financial year as disclosed in Note 33. Summarised consolidated financial information in respect of PT Sumber Graha Maluku and its subsidiaries is set out as below. The summarised financial information below represents amounts before intragroup elimination.

	2020 Rp'million
Non-current assets	457,729
Current assets	250,769
Non-current liabilities	(12,837)
Current liabilities	(68,176)
Equity attributable to equity holder of the Company	319,126
Non-controlling interests	<u>306,612</u>
Revenue	-
Profit and other comprehensive income for the year	<u>115,700</u>
Profit and comprehensive income for the year:	
Allocated to the equity holder of the Company	59,008
Allocated to NCI	<u>56,692</u>
	<u>115,700</u>
Net cash flows generated from operating activities	(2,823)
Net cash flows used in investing activities	(265,642)
Net cash flows used in financing activities	<u>275,077</u>
Net cash inflow	<u>6,612</u>

#### 2019

Disclosures on the interest that non-controlling interests have in the Group's activities and cash flows had not been included in these financial statements as the non-controlling interests were considered not material in 2019.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**32 Leases**The Group as a lessee

## (a) Nature of the Group's leasing activities

The Group has entered into leases of buildings in respect of its offices in Indonesia and Singapore. The Group also leases machinery and heavy equipment and vehicles for its manufacturing division. These leases do not have extension options. The Group is prohibited from selling, pledging or sub-leasing the underlying leased assets, and is required to maintain the assets in good condition.

## (b) Carrying amount of right-of-use assets

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
Buildings	17,365	2,590
Machinery and heavy equipment	85,456	71,642
Vehicles	408	655
	103,229	74,887

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
Buildings	23,814	-
Machinery and heavy equipment*	20,694	66,550
	44,508	66,550

\* Additions included amount reclassified from property, plant and equipment amounted to Rp18,123 million (2019: Rp61,960 million).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 32 Leases (cont'd)

The Group as a lessee (cont'd)

(c) Amounts recognised in profit or loss

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
Depreciation charge for the year:		
Buildings	9,071	597
Machinery and heavy equipment	6,880	2,476
Vehicles	247	237
	16,198	3,310
Interest on lease liabilities	5,247	2,189
Short-term leases expense	1,826	9,133

(d) Lease liabilities

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
<u>Current</u>		
Lease liabilities	58,387	57,309
<u>Non-current</u>		
Lease liabilities	32,063	69,892
	90,450	127,201

Balances denominated in currencies of which have exposure to foreign currency risk (Note 35(b)):

United States Dollar	38,300	47,835
Singapore Dollar	2,160	2,768

(e) Total cash outflow

The Group has total cash outflow for payment of lease liabilities of Rp72,120 million (2019: Rp45,486 million) and payment of short-term leases expense of Rp1,826 million (2019: Rp9,133 million) during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 33 Assets Acquisition

In September 2019, PT Sumber Graha Sejahtera (“PT SGS”), a wholly owned subsidiary of the Group entered into the Subscription Agreement with a third party, PT Barito Wanabinar Indonesia (“PT BWI”), a subsidiary of PT Barito Pacific Tbk, and PT Sumber Graha Maluku (“PT SGM”), pursuant to which, PT SGS, and nominating its wholly owned subsidiary, PT Sumber Graha Abadi (“PT SGA”), to undertake the subscription of shares in the capital of PT SGM representing 51% of the total issued and paid-up share capital of PT SGM (the “Subscription Transaction”).

The Subscription Transaction has been approved by the shareholders of the Company in an Extraordinary General Meeting held on 16 December 2019 and in March 2020, the Group completed the Subscription Transaction for a total consideration of Rp294,613 million, fully paid in cash. As a consequence of the Subscription Transaction, PT SGM and its subsidiaries became subsidiaries of the Group.

PT SGM is a special purpose vehicle established by PT BWI to hold certain assets (the “Assets”) through PT SGM’s wholly owned subsidiaries. The Assets includes, inter alia, industrial forest plantations, plywood factories, forestry concession right of approximately 59,138 hectares in Maluku Province, Indonesia. PT SGM’s subsidiaries, which are maintaining the Assets, are not in operations. The Subscription Transaction will provide the Group with the opportunity to enhance its capability in providing a better log source to supply the materials for plywood and new wood business.

The Subscription Transaction has been determined as an acquisition of a group of assets that does not constitute a business under SFRS(I) 3 *Business Combinations* as there is no process of business combination (as defined in SFRS(I) 3), being acquired. Such a transaction does not give rise to goodwill.

The carrying amounts of the Assets acquired at the date of acquisition pursuant to the Subscription Transaction are as follows:

	<b>Group</b> 2020 Rp'million
Property, plant and equipment (Note 13)	34,007
Biological assets (Note 15)	230,433
Land use rights (Note 16)	18,651
Cash and cash equivalents – representing the cash consideration for the Subscription Transaction	294,613
	<hr/> <b>577,704</b> <hr/>
Cash consideration for the Subscription Transaction paid by the Group	294,613
Cash and cash equivalents acquired (above)	<u>(294,613)</u>
Total net cash outflow	<hr/> <b>-</b> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 34 Related Party Disclosures

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into transactions with related parties who are not members of the Group during the financial year, on terms agreed between the parties, as shown below.

Group	
2020	2019
Rp'million	Rp'million

#### Related party transactions

Office rental paid/payable to PT Sampoerna Land	6,892	5,806
Interest expense paid/payable to PT Bank Sahabat Sampoerna	6,154	5,427

PT Sampoerna Land and PT Bank Sahabat Sampoerna are controlled by the Sampoerna family, which are related to a substantial shareholder of the Company.

Group	
2020	2019
Rp'million	Rp'million

#### Compensation to directors and key management personnel

Directors fees	2,420	2,223
Short-term employee benefits	38,225	38,239
Equity-settled performance share plan	1,247	4,248
Defined contribution plan benefits	139	170
	42,031	44,880

Comprise amount paid/payable to:

Directors of the Company	17,847	19,080
Other key management personnel	24,184	25,800
	42,031	44,880

#### Corporate guarantees

At the reporting date, the Company has granted corporate guarantees to banks for the Group's interest-bearing loans disclosed in Note 28 totalling Rp1,044,467 million (2019: Rp1,130,651 million). The corporate guarantees executed by the Company have not been recorded at fair value, as in the view of the management, the difference in the interest rates, by comparing the actual rates charged by the banks with these corporate guarantees made available, with the estimated rates that the banks would have charged had those corporate guarantees not been made available, is not material.

The corporate guarantees are subject to impairment assessment. The Company has assessed that its subsidiaries have a strong financial capacity to meet the contractual cash flow obligations in the near future and henceforth does not expect significant credit losses arising from these corporate guarantees.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 35 Financial Instruments

#### Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer, Head of Treasury and Head of Credit Control. The Audit Committee provides independent oversight to the effectiveness of the risk management process. These risks include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

#### (a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group generally do not require collateral. The Group reviews the recoverable amount of each trade receivable and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

At the reporting date, the Group does not have significant credit risk exposure to any individual customer's balance of trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The Group's maximum exposure to credit risk arises from the carrying amount of the respective recognised financial assets as present on the consolidated statement of financial position. In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group is liable to pay if the guarantees are called on as disclosed in Note 35(d).

#### i. Trade receivables

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on their shared credit risk characteristics and numbers of days past due. The expected credit losses on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Further details on the loss allowance of the Group's credit risk exposure in relation to trade receivables are disclosed in Note 20.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 35 Financial Instruments (cont'd)

#### Financial risk management objectives and policies (cont'd)

##### (a) Credit risk (cont'd)

##### ii. Cash and bank balances and other financial assets

The cash and bank balances are entered into with banks and financial institutions that have high credit-ratings.

Impairment on cash and bank balances and other financial assets has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances and other financial assets have low credit risk based on the external credit ratings of the counterparties. The amount of the allowances on cash and bank balances and other financial assets were immaterial except for the other receivables as disclosed in Note 20.

#### *Credit risk grading guideline*

Management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which is used to report the Group's credit risk exposure to key management for credit risk management purposes are as follows:

<b>Internal rating grades</b>	<b>Definition</b>	<b>Basis of recognition of expected credit loss (ECL)</b>
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired.	Lifetime ECL (credit impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty.	Asset is written off

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**35 Financial Instruments (cont'd)**Financial risk management objectives and policies (cont'd)

## (a) Credit risk (cont'd)

*Credit risk exposure*

The credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades, grouped by geographical region, is presented as follows:

	Current	Past due			Total
		>30 days	> 60 days	> 90 days	
Rp'million					
<b>Group</b>					
<u>2020</u>					
Indonesia					
Expected credit loss rate	*	1%	7%	43%	
Gross carrying amount	93,449	42,607	12,110	35,073	183,239
Less: Loss allowance	*	*	*	27,123 <sup>(1)</sup>	27,123
<u>Other geographical areas</u>					
Expected credit loss rate	*	*	*	*	
Gross carrying amount	160,324	22,421	444	7,566	190,755
Less: Loss allowance	*	*	*	1,118 <sup>(2)</sup>	1,118
<u>2019</u>					
Indonesia					
Expected credit loss rate	*	3%	6%	25%	
Gross carrying amount	132,730	23,646	12,372	42,387	211,135
Less: Loss allowance	*	*	*	21,197 <sup>(1)</sup>	21,197
<u>Other geographical areas</u>					
Expected credit loss rate	*	*	*	*	
Gross carrying amount	92,087	16,365	7,262	17,131	132,845
Less: Loss allowance	*	*	*	6,887 <sup>(2)</sup>	6,887

\* Insignificant ECL rate/loss allowance.

(1) Included in > 90 days were amounts due more than 365 days of which 100% loss allowances have been recognised totalling Rp27,123 million (2019: Rp21,197 million). ECL on the remaining balance was immaterial.

(2) Included in > 90 days were amounts due more than 365 days of which 100% loss allowances have been recognised totalling Rp1,118 million (2019: Rp6,887 million). ECL on the remaining balance was immaterial.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**35 Financial Instruments (cont'd)**Financial risk management objectives and policies (cont'd)

## (a) Credit risk (cont'd)

*Credit risk exposure (cont'd)*

The credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades, grouped by geographical region, is presented as follows: (cont'd)

	Current	Past due			Total
		>30 days	> 60 days	> 90 days	
		Rp'million			
<b>Company</b>					
<u>2020</u>					
<u>Other geographical areas</u>					
Expected credit loss rate	*	*	*	100%	
Gross carrying amount	42,701	-	-	485	43,186
Less: Loss allowance	*	*	*	485 <sup>(1)</sup>	485
<hr/>					
<u>2019</u>					
<u>Other geographical areas</u>					
Expected credit loss rate	*	*	*	100%	
Gross carrying amount	26,936	2,151	1,276	478	30,841
Less: Loss allowance	*	*	*	478 <sup>(1)</sup>	478

\* Insignificant ECL rate/loss allowances.

(1) Included in &gt; 90 days were amounts due more than 365 days of which 100% loss allowances have been recognised totalling Rp485 million (2019: Rp478 million). ECL on the remaining balance was immaterial.

Information regarding movements in the loss allowance for trade receivables are disclosed in Note 20.

*Loss allowance of financial guarantees*

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These financial guarantees are subject to the impairment requirements under SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and henceforth does not expect significant credit losses arising from these financial guarantees.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 35 Financial Risk Management Objectives and Policies (cont'd)

#### Financial risk management objectives and policies (cont'd)

##### (b) Foreign currency risk

The Group has transactional currency exposures arising from sales and purchases, cash and bank balances, loan and borrowings that are denominated in currencies other than the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposure. The foreign currency in which the Group's transactions are denominated and have exposed to foreign currency risk, is primarily the United States Dollar (US\$).

The Group relies on its operational cash flow to hedge against the foreign currency exposure. The Group is also exposed to currency translation risk arising from its net investments in foreign operations in countries such as Indonesia and Singapore.

#### *Sensitivity analysis*

The following table demonstrates the sensitivity of the Group's results for the year from a reasonably possible change in the Indonesian Rupiah (Rp) exchange rate against US\$, with all other variables including tax remain constant:

<b>Group</b>	
Loss after tax	Profit after tax
2020	2019
Rp'million	Rp'million

(Decrease)/Increase by:

Strengthened 5%	(286)	264
Weakened 5%	286	(264)

Management considers the Company has no significant exposure to foreign currency risk.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 35 Financial Risk Management Objectives and Policies (cont'd)

#### Financial risk management objectives and policies (cont'd)

##### (b) Foreign currency risk (cont'd)

#### Forward foreign currency contracts

The Group enters into forward foreign currency contracts to mitigate its foreign currency exposure in US\$ from sale and purchase transactions.

As at 31 December 2020, the forward foreign currency contracts outstanding at the reporting date is as follows:

Foreign exchange forward contracts	Range of exchange rates	Notional principal value	Derivative financial instruments at fair value
			Rp'million
<b>Group</b>			
<u>2020</u>			
Buy US\$ less than 6 months	14,250 to 15,145	US\$11,000,000	5,412

As at 31 December 2019, the Group did not have any outstanding foreign currency contracts.

##### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's/Company's exposure to interest rates risk arises primarily from their loans and borrowings and cash at banks. The Group's/Company's policy is to manage interest cost using a mix of fixed and floating rate borrowings. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rate while enabling benefits to be enjoyed if interest rates fall.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. Surplus funds are placed with reputable banks and financial institutions which generate interest income for the Group.

#### *Sensitivity analysis*

The Group's bank borrowing interest rates are mainly floating rates. At the reporting date, if the borrowing interest rates had been 100 basis points lower/higher with all other variables, including tax held constant, the Group's loss after tax (2019: profit after tax) would have been Rp10,840 million lower/higher (2019: Rp9,763 million higher/lower).

Management considers the Company's exposure to interest rate risk is not material.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 35 Financial Instruments (cont'd)

#### Financial risk management objectives and policies (cont'd)

##### (d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's/Company's exposure to liquidity and cash flow risk arise mainly from general funding and business activities. Its objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group adopts prudent liquidity risk management by maintaining sufficient cash balances.

At the end of the reporting period, approximately 86% (2019: 98%) of the Group's loans and borrowings (Note 28) will be due in less than one year based on the carrying amount reflected in the financial statements. The Group will continue to monitor and address this risk by monitoring liquidity ratios (including projecting cash flow) and maintaining debt financing plans. Further details on the Group's going concern are disclosed in Note 3(a).

At the reporting date, the Group has at its disposal unused revolving loan and bank overdraft facilities amounting to Rp1,271,918 million (2019: 617,749 million) to draw down, if required.

The following table summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	← Cash flows →			
	Carrying amount Rp'million	Within one year Rp'million	Within two years and five years Rp'million	Total contractual cash flow Rp'million
<b>Group</b>				
<b>2020</b>				
Trade and other payables	451,855	451,855	-	451,855
Other liabilities*	28,658	28,658	-	28,658
Loans and borrowings	1,435,530	1,288,556	237,592	1,526,148
Lease liabilities	90,450	64,743	31,627	96,370
<b>Total undiscounted financial liabilities</b>	<b>2,006,493</b>	<b>1,833,812</b>	<b>269,219</b>	<b>2,103,031</b>
<b>2019</b>				
Trade and other payables	511,193	511,193	-	511,193
Other liabilities*	154,311	46,228	122,795	169,023
Loans and borrowings	1,172,771	1,177,079	29,545	1,206,624
Lease liabilities	127,201	65,398	71,938	137,336
<b>Total undiscounted financial liabilities</b>	<b>1,965,476</b>	<b>1,799,898</b>	<b>224,278</b>	<b>2,024,176</b>

\* Excludes post-employment benefit liabilities and value-added tax.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**35 Financial Instruments (cont'd)**Financial risk management objectives and policies (cont'd)

## (d) Liquidity risk (cont'd)

*Derivative financial instruments*

The following is the liquidity analysis of undiscounted gross inflows/(outflows) on derivative financial instruments of the Group at the reporting date that require gross settlements:

	Gross inflows Rp'million	Gross outflows Rp'million	Unrealised fair value gain Rp'million
<b>Group</b>			
<u>2020</u>			
Foreign exchange forward contracts - gross	161,213	(155,801)	5,412

As at 31 December 2019, the Group did not have any outstanding forward foreign currency contracts.

The following table summarises the maturity profile of the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	Carrying amount Rp'million	Within one year Rp'million	Within two years and five years Rp'million	Contractual cash flow Rp'million
<b>Company</b>				
<u>2020</u>				
Trade and other payables	59,273	59,273	-	59,273
Financial guarantee contracts	-	1,101,289	-	1,101,289
Other liabilities*	306,528	2,369	304,159	306,528
Total undiscounted financial liabilities	365,801	1,162,931	304,159	1,467,090
<u>2019</u>				
Trade and other payables	36,699	36,699	-	36,699
Financial guarantee contracts	-	1,130,651	-	1,130,651
Other liabilities*	269,229	2,244	266,985	269,229
Total undiscounted financial liabilities	305,928	1,169,594	266,985	1,436,579

\* Excludes post-employment benefit liabilities and value-added tax.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 35 Financial Instruments (cont'd)

Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

*Financial guarantees*

The amount included for financial guarantee contracts is the maximum amount the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparties to the guarantees based on the earliest date on which the Company may be required to pay. Based on management's expectation at the reporting date, the Company consider that it is unlikely that such an amount will be payable under the arrangement.

### 36 Fair Value Measurement

(a) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

*Fair Value Hierarchy*

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 36 Fair Value of Measurement (cont'd)

- (a) Fair value of assets and liabilities that are measured at fair value on a recurring basis (cont'd)

The following table gives information about how the fair values of these assets are determined:

	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	Total
	Rp'million (Level 1)	Rp'million (Level 2)	Rp'million (Level 3)	Rp'million
<b>Group</b>				
<u>2020</u>				
<u>Financial assets</u>				
Derivative financial instruments	-	5,412	-	5,412
<u>Non-financial assets</u>				
Biological assets	-	-	414,724	414,724
<u>2019</u>				
<u>Non-financial assets</u>				
Biological assets	-	-	52,620	52,620

#### Level 2 fair value measurements

##### *Derivative financial instruments - Foreign currency forward contracts*

Valuation techniques with market observable inputs are used for the determination of the fair values of foreign currency forward contracts. The fair value of foreign currency forward contracts is calculated using forward exchange rates at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 36 Fair Value of Measurement (cont'd)

- (a) Fair value of assets and liabilities that are measured at fair value on a recurring basis (cont'd)

#### Level 3 fair value measurements

#### *Biological assets – Standing Timber*

<b>Valuation technique</b>	<b>Key unobservable inputs</b>	<b>Relationship between key unobservable inputs to fair value</b>
Discounted cash flows	<u>Market prices</u> <ul style="list-style-type: none"> <li>Estimated future timber market price per m<sup>3</sup> in Java, Sumatra and Sulawesi - weighted average price of Rp887,159 (2019: Rp1,065,600)</li> <li>Estimated future timber market price per m<sup>3</sup> in Maluku - weighted average price of Rp510,019</li> </ul>	<u>Market prices</u> The lower the market prices, the lower the fair value
	<u>Yield</u> <ul style="list-style-type: none"> <li>Estimated yield per hectare in Java, Sumatra and Sulawesi - weighted average yield of 65 m<sup>3</sup> (2019: 86 m<sup>3</sup>)</li> <li>Estimated yield per hectare in Maluku - weighted average yield of 65 m<sup>3</sup></li> </ul>	<u>Yield</u> The lower the yield, the lower the fair value
	<u>Discount rate</u> <ul style="list-style-type: none"> <li>Discount rate of 11.99% (2019: 11.97%)</li> </ul>	<u>Discount rate</u> The higher the discount rate, the lower the fair value

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 36 Fair Value of Measurement (cont'd)

- (a) Fair value of assets and liabilities that are measured at fair value on a recurring basis (cont'd)

#### Level 3 fair value measurements (cont'd)

#### *Biological assets – Standing Timber (cont'd)*

For biological assets, a significant increase/(decrease) in the discount rate would result in a significantly lower/(higher) fair value measurement. The table below shows the impact on the Level 3 fair value measurement of biological assets that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

	2020		2019	
	Carrying amount Rp'million	Effect of reasonably possible alternative assumption to profit or loss Rp'million	Carrying amount Rp'million	Effect of reasonably possible alternative assumption to profit or loss Rp'million
<b>Group</b>				
Increase by 1%	404,447	(10,277)	51,848	(772)
Decrease by 1%	425,426	10,703	53,414	794

In order to determine the effect of the above reasonably possible alternative assumption, the Group adjusted the key unobservable input, used in the fair value measurement, by adjusting the discount rate by increasing and decreasing the assumption by 1%.

The movements in biological assets and valuation policies and procedures are disclosed in Note 15.

There were no transfers between level 1, 2 and 3 during the financial years ended 31 December 2020 and 2019.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 36 Fair Value of Measurement (cont'd)

(b) Fair value of assets and liabilities that are not measured at fair value on a recurring basis

Management has determined that the carrying amounts of cash at banks and on hand, other financial assets and financial liabilities carried at amortised costs and loans and borrowings based on their notional amounts as disclosed in the respective notes, reasonably approximate their fair values because they are mostly short term in nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

### 37 Capital Risk Management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure the Group's ability to operate as a going concern and to maintain a healthy capital structure in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, increase debt borrowings or sell assets to reduce debt.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2020 and 2019.

The Group is not subject to any significant externally imposed capital requirements.

The capital for the Group is tabulated below.

	<b>Group</b>	
	2020 Rp'million	2019 Rp'million
Loans and borrowings (including lease liabilities)	1,525,980	1,299,972
Equity attributable to the owners of the Company	71,488	197,321
Total equity and loans and borrowings	1,597,468	1,497,293



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 38 Segment Information

For management purposes, the Group is organised into business divisions based on their products and services, and has two reportable segments as follows:

- SGS division\* – refers to the operations of PT Sumber Graha Sejahtera group of entities. This division principally in the business of manufacturing and sales of 1) primary processed timber products (main) such as general plywood and laminated veneer lumber and 2) secondary processed timber products such as truck, piano body parts and decking.
- ST division – refers to the operations of Samko Timber Limited and Samko Trading Pte Ltd group of entities. This division principally trade in all types of timber products manufactured by the division, SGS division and third parties. This division also produces mainly secondary timber products such as doors and windows.
- \* Included PT Sumber Graha Maluku group of companies as management is of the opinion it is not meaningful to segregate as the group of companies have no operations since the assets acquisition up to the end of the reporting period.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss after tax which in certain respects, as explained in the table below, is measured differently from profit or loss after tax in the consolidated financial statements. Group corporate expenses are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 38 Segment information (cont'd)

	SGS division		ST division		Adjustments and eliminations		Per consolidated financial statements	
	2020 Rp/million	2019 Rp/million	2020 Rp/million	2019 Rp/million	2020 Rp/million	2019 Rp/million	2020 Rp/million	2019 Rp/million
<b>Revenue:</b>								
External customers	1,179,046	1,979,132	2,015,688	1,976,363	-	-	3,194,734	3,955,495
Inter-segment	1,925,508	1,894,944	-	-	(1,925,508)	(1,894,944)	-	-
Total revenue	3,104,554	3,874,076	2,015,688	1,976,363	(1,925,508)	(1,894,944)	3,194,734	3,955,495
<b>Other information:</b>								
Capital expenditure on property, plant and equipment	83,558	199,294	230	660	-	-	83,788	199,954
Capital expenditure on right-of-use assets	24,566	66,550	1,819	-	-	-	26,385	66,550
Capital expenditure on land use rights	4,511	1,132	-	-	-	-	4,511	1,132
Finance income	231	265	67	14	-	-	298	279
Finance expense	(90,953)	(81,422)	(19,328)	(24,135)	-	-	(110,281)	(105,557)
Depreciation of property, plant and equipment	(107,504)	(103,856)	(529)	(581)	-	-	(108,033)	(104,437)
Depreciation of right-of-use assets	(14,621)	(2,713)	(1,577)	(597)	-	-	(16,198)	(3,310)
Amortisation of land use rights	(4,395)	(4,006)	-	-	-	-	(4,395)	(4,006)
Post-employment benefits expense	(45,805)	(48,955)	207	(1,648)	-	-	(45,598)	(50,603)
Gain on change in fair value of biological assets	127,979	6,553	(540)	(106)	-	-	127,979	6,553
Workers separation expenses	(10,790)	(8,120)	(540)	(106)	-	-	(11,330)	(8,226)
(Allowance for)/Reversal of advances to suppliers	(744)	2,466	-	-	-	-	(744)	2,466
Allowance for impairment losses of financial assets, net	-	-	(346)	(516)	-	-	(346)	(516)
Bad debts written off – trade	(3,845)	-	-	-	-	-	(3,845)	-
Net gain on disposal of property, plant and equipment	1,070	1,077	36	-	-	-	1,106	1,077
Gain on disposal of land use rights	931	-	-	-	-	-	931	-
Income tax expense	(17,313)	(12,927)	(1,763)	375	-	-	(19,076)	(12,552)
Segment (loss)/profit after tax	(34,653)	8,522	(2,248)	(2,780)	-	-	(36,901)	5,742

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 38 Segment information (cont'd)

	SGS division		ST division		Adjustments and eliminations		Per consolidated financial statements	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rp/million	Rp/million	Rp/million	Rp/million	Rp/million	Rp/million	Rp/million	Rp/million
<b>Assets:</b>								
Deferred tax assets	105,060	73,847	6,069	4,302	-	-	111,129	78,149
Segment assets	2,972,664	2,426,379	740,144	771,113	(938,762)	(723,301)	2,774,046	2,474,191
							B	
<b>Liabilities:</b>								
Loans and borrowings	1,083,004	845,807	352,526	326,964	-	-	1,435,530	1,172,771
Lease liabilities	88,117	124,434	2,333	2,767	-	-	90,450	127,201
Income tax payable	8,204	3,338	205	3,482	-	-	8,409	6,820
Deferred tax liabilities	43,467	3,161	41	-	-	-	43,508	3,161
Segment liabilities	2,258,532	1,998,354	307,400	318,334	(173,882)	(44,854)	2,392,050	2,272,013
							B	

#### Note

- A. Inter-segment revenues are eliminated upon consolidation.  
 B. These represents inter-segment amounts eliminated upon consolidation.



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2020

**38 Segment Information (cont'd)**Geographical information

Revenue and other non-current assets information based on the geographical location of the customers and assets respectively are as follows:

	<b>Group</b>			
	Revenue		Non-current assets	
	2020 Rp'million	2019 Rp'million	2020 Rp'million	2019 Rp'million
Indonesia	1,396,728	2,161,290	1,108,177	708,290
North Asia	784,317	938,833	-	-
United States of America	510,784	152,362	-	-
Malaysia	297,035	383,910	-	22
Singapore	141,422	215,471	1,967	2,650
South East Asia	30,488	25,350	-	-
Europe	13,297	31,812	-	-
Middle East	10,134	24,624	-	-
Australia	5,633	17,610	-	-
Others	4,896	4,233	-	-
	<b>3,194,734</b>	<b>3,955,495</b>	<b>1,110,144</b>	<b>710,962</b>

Non-current assets information presented above consist of property, plant and equipment, biological assets, land use rights and right-of-use assets as presented in the consolidated statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

### 39 Impact of COVID-19 Pandemic

In March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The spread of COVID-19 has created a high level of uncertainty to the near-term global economic prospect and caused disruptions to various businesses. The Group is taking precautionary measures to deal with the COVID-19 outbreak in accordance with guidelines provided by the authorities in the respective countries which the Group operates in.

Management is of the opinion that the COVID-19 pandemic has caused a significant slow-down in the Group's business activities, resulting in a significant slow-down in the demand of the Group's products in the domestic market, although demand from the export market has not been adversely affected by the COVID-19 and is still expected to grow. Management is closely monitoring the impact on the Group's business and has taken certain measures to deal with the impact such as negotiations with lenders to confirm the continuing availability bank facilities or to source for new bank facilities, if required, and actions taken to manage the Group's liquidity and/or to conserve cash flow. As the global COVID-19 situation remains very fluid at the date of these financial statements, the Group is currently unable to estimate the financial impact to the Group's financial performance for 2021. Notwithstanding this, management has determined that the COVID-19 pandemic has not created a material uncertainty that casts doubt on the Group's ability to continue as a going concern. Further details on the Group's going concern are disclosed in Note 3(a).

### 40 Subsequent Events

In February 2021, the Group obtained a new working capital facility up to US\$10 million with sublimit of revolving credit facility of up to US\$2 million, and a foreign exchange facility of up to US\$10 million from PT Bank UOB Indonesia Tbk, to finance the Group's working capital and to refinance the existing loan facility from OCBC Limited. These bank facilities are secured by certain land use rights, buildings and improvements, machinery and heavy equipment of the Group, and a corporate guarantee from the Company.

### 41 Authorisation of Financial Statements for Issue

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 9 April 2021.

**STATISTICS OF SHAREHOLDINGS**

As at 8 April 2021

**SHAREHOLDERS' INFORMATION**

Class of equity securities	:	Ordinary Shares
Voting rights	:	One vote per share
Issued and fully paid-up share capital	:	S\$52,039,302.19
Number of issued shares (excluding treasury shares and subsidiary holdings)	:	2,384,836,283
Number of treasury shares	:	Nil
Number of subsidiary holdings held	:	Nil
Percentage of treasury shares against the total number of issued shares excluding treasury shares and subsidiary holdings	:	0%

**ANALYSIS OF SHAREHOLDINGS**

Size of Shareholding	Number of Shareholders		Number of Shares	
		%		%
1 - 99	15	1.22	294	0.00
100 - 1,000	37	3.02	21,087	0.00
1,001 - 10,000	269	21.92	1,533,200	0.06
10,001 - 1,000,000	860	70.09	122,290,333	5.13
1,000,001 and above	46	3.75	2,260,991,369	94.81
	<b>1,227</b>	<b>100.00</b>	<b>2,384,836,283</b>	<b>100.00</b>

**SUBSTANTIAL SHAREHOLDERS**

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Sampoerna Forestry Limited	1,520,673,015	63.76	-	-
First Fortuna Holdings Pte Ltd	150,597,000	6.34	-	-
Koh Tji Kiong @ Amir Sunarko <sup>(1)</sup>	111,493,331	4.68	33,846,346	1.42
Aris Sunarko @ Ko Tji Kim <sup>(2)</sup>	34,698,231	1.46	190,100,346	8.00

**Notes:**

- (1) 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, Cap. 50.
- (2) Mr Aris Sunarko @ Ko Tji Kim is deemed interested by virtue of Section 7 of the Companies Act, Cap. 50, 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.

## STATISTICS OF SHAREHOLDINGS

As at 8 April 2021

### TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Raffles Nominees (Pte.) Limited	1,647,318,677	69.07
2.	UOB Kay Hian Private Limited	195,808,386	8.21
3.	Cindy Sunarko or Koh Tji Beng @Ambran Sunarko	115,136,930	4.83
4.	Temasek Life Sciences Ventures Private Limited	44,774,207	1.88
5.	Citibank Nominees Singapore Pte Ltd	30,378,686	1.27
6.	Hasan Holdings Pte Ltd	28,485,846	1.19
7.	OCBC Securities Private Limited	20,644,078	0.87
8.	Hong Jjin Shuh @ Hung Ching Hsu	19,094,000	0.80
9.	Natalia Tanwir Tan	18,238,000	0.76
10.	Aris Sunarko @ Ko Tji Kim	17,225,000	0.72
11.	Phillip Securities Pte Ltd	14,181,268	0.59
12.	Koh Boon Hong	12,804,000	0.54
13.	HSBC (Singapore) Nominees Pte Ltd	12,426,000	0.52
14.	First Fortuna Holdings Pte Ltd	10,597,000	0.44
15.	DBS Nominees (Private) Limited	7,200,791	0.30
16.	Patricia Althea Leong Peck Han	7,200,000	0.30
17.	Noah Shipping Pte Ltd	5,657,000	0.24
18.	See Kim Hua @Tan Kim Hua	4,400,000	0.18
19.	Ng Kim Shan	4,300,000	0.18
20.	Khoo Meng Koon Edwin	3,800,000	0.16

### PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 15.13% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM” or the “Meeting”) of Samko Timber Limited (the “Company”) will be held by way of electronic means on Friday, 30 April 2021, at 3:00 p.m. for the following purposes:

### AS ORDINARY BUSINESS

- To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Independent Auditors’ Report thereon. **(Resolution 1)**
- To re-elect Mr Sim Idrus Munandar, a Director of the Company retiring pursuant to Article 94 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”). **(Resolution 2)**

*Mr Sim Idrus Munandar will, upon re-election as a Director of the Company, remain the Chairman of the Nomination Committee and Board Risk Committee, a member of the Audit Committee and Remuneration Committee of the Company respectively, and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST, subject to Two-Tier Voting [as defined in Explanatory Note (iii)].*

*Detailed information on Mr Sim Idrus Munandar as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found on page 44 to page 53 of the Annual Report.*

- To re-elect the following Directors of the Company retiring pursuant to Article 100 of the Constitution of the Company:
 

Mr Ito Sumardi	<b>(Resolution 3)</b>
Mr Hadi Daryanto	<b>(Resolution 4)</b>

- To note the retirement of Mr Wee Ewe Lay Laurence, who is retiring pursuant to Article 94 of the Constitution of the Company and has decided not to offer himself for re-election at the AGM.

*Mr Wee Ewe Lay Laurence will, upon his retirement as a Director of the Company at the conclusion of this AGM, cease as the Chairman of the Remuneration Committee and a member of the Audit Committee, Nomination Committee and Board Risk Committee of the Company respectively.*

- To approve the payment of Directors’ fees of S\$268,446 for the financial year ending 31 December 2021, payable quarterly in arrears. (2020: S\$227,346) **(Resolution 5)**
- To re-appoint Messrs Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
- To transact any other ordinary business which may properly be transacted at an AGM.

## NOTICE OF ANNUAL GENERAL MEETING

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

#### 8. Authority to allot and issue new shares

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

- (a)
  - (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of any convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;

## NOTICE OF ANNUAL GENERAL MEETING

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

*[See Explanatory Note (i)]*

**(Resolution 7)**

### 9. **Authority to issue shares under the Samko Timber Performance Share Plan**

That approval be and is hereby given to the Directors of the Company, pursuant to Section 161 of the Companies act, Chapter 50 of Singapore of Shares:

- (a) to offer and grant awards from time to time in accordance with the rules of the Samko Timber Performance Share Plan (the “**Plan**”);
- (b) to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be issued pursuant to the vesting of the awards under the Plan provided that the aggregate number of shares to be issued pursuant to the Plan and any other share incentive schemes of the Company, shall not exceed three per centum (3.0%) of the total issued share capital of the Company (excluding treasury shares and subsidiary holdings) from time to time; and
- (c) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

*[See Explanatory Note (ii)]*

**(Resolution 8)**

### 10. **Approval for the continued appointment of Mr Sim Idrus Munandar, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”)**

That, subject to and contingent upon the passing of Resolution 2 by shareholders of the Company by appointing the Chairman of the meeting as proxy to vote at the annual general meeting (“**AGM**”) and the passing of Resolution 10 by shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM, excluding the Directors and the Chief Executive Officer of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST):

- (a) the continued appointment of Mr Sim Idrus Munandar, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Sim Idrus Munandar as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

*[See Explanatory Note (iii)]*

**(Resolution 9)**

## NOTICE OF ANNUAL GENERAL MEETING

11. **Approval for the continued appointment of Mr Sim Idrus Munandar, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST**

That, subject to and contingent upon the passing of Resolution 2:

- (a) the continued appointment of Mr Sim Idrus Munandar, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Sim Idrus Munandar as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution,

provided that this Resolution shall only be proposed and voted upon if Resolution 9 is passed by all shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM.

*[See explanatory note (iii)]*

**(Resolution 10)**

*In compliance with Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022), the Directors and the Chief Executive Officer of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST), shall abstain from voting on Resolution 10.*

12. **Approval for the continued appointment of Mr Ng Cher Yan as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST")**

That, subject to and contingent upon the passing of Resolution 12 by shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM, excluding the Directors and the Chief Executive Officer of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST):

- (a) the continued appointment of Mr Ng Cher Yan, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and
- (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Ng Cher Yan as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

*[See Explanatory Note (iii)]*

**(Resolution 11)**

13. **Approval for the continued appointment of Mr Ng Cher Yan, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST**

That:

- (a) the continued appointment of Mr Ng Cher Yan, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and



## NOTICE OF ANNUAL GENERAL MEETING

- (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Ng Cher Yan as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution,

provided that this Resolution shall only be proposed and voted upon if Resolution 11 is passed by all shareholders of the Company by appointing the Chairman of the Meeting as proxy to vote at the AGM.

*[See explanatory note (iii)]*

**(Resolution 12)**

In compliance with Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022), the Directors and the Chief Executive Officer of the Company, and their respective associates (as defined in the Listing Manual of the SGX-ST), shall abstain from voting on Resolution 12.

By Order of the Board

Kiar Lee Noi  
Secretary  
Singapore, 15 April 2021

### Explanatory Notes:

- (i) On 8 April 2020, Singapore Exchange Regulation (“**SGX RegCo**”) issued a news release which introduced measures to support issuers amid the challenging business and economic climate due to COVID-19, including enabling the acceleration of fund-raising efforts by allowing Mainboard issuers to provisionally seek a general mandate for an issue of shares and convertible securities on a pro-rata basis of up to an aggregate of one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings (the “**Enhanced Share Issue Limit**”), versus fifty per centum (50%) previously. On 16 March 2021, SGX RegCo in consultation with the Monetary Authority of Singapore (MAS) had extended the availability of the Enhanced Share Issue Limit for the Mainboard issuers. Hence, the Mainboard issuers will have up to 31 December 2021 to seek or renew a general mandate for the Enhanced Share Issue Limited, which will expire at the conclusion of the next annual general meeting or on the date by which the next annual general meeting is required by law or the SGX-ST Mainboard Listing Manual to be held, whichever is the earliest.

The Company is proposing to avail itself of these measures and to seek shareholders’ approval for a general mandate with an Enhanced Share Issue Limit at the AGM in the event that circumstances evolving amid the COVID-19 situation reach such an extent that a fifty per centum (50%) limit for pro-rata issues is no longer sufficient to meet the Company’s needs. If this was to occur and no Enhanced Share Issue Limit was to be in place, fund raising efforts would otherwise be unnecessarily hampered and compromised by the time needed to obtain shareholders’ approval to issue shares above the fifty per centum (50%) threshold.

## NOTICE OF ANNUAL GENERAL MEETING

In connection with the Enhanced Share Issue Limit mandate, the Board of Directors is of the view that it would be in the interest of the Company and its shareholders on the basis of the following:

- (a) the Enhanced Share Issue Limit mandate will provide the Company with an option to strengthen its balance sheet, if required;
- (b) the proceeds from such fund raisings may be used to, among others, refinance existing borrowing, to pursue acquisitions or to fund capital expenditures; and
- (c) the Enhanced Share Issue Limit mandate will provide the Company with the flexibility to raise funds expediently, if required.

Accordingly, the Ordinary Resolution 7 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law or the SGX-ST Mainboard Listing Manual to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution 7 is passed after adjusting for (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution 7 is passed; and (ii) any subsequent bonus issue, consolidation or subdivision of Shares.

The Enhanced Share Issue Limit is only valid until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law or the SGX-ST Mainboard Listing Manual to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, by which date any Shares issued pursuant to the Enhanced Share Issue Limit must be listed, and no further Shares may be issued under that limit.

The Company will notify SGX RegCo, by way of email to [enhancedsharelimit@sgx.com](mailto:enhancedsharelimit@sgx.com), of the date on which the general mandate with the Enhanced Share Issue Limit has been approved by shareholders.

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) The Ordinary Resolution 8 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards in accordance with the rules of the Plan (which was approved at the extraordinary general meeting of the Company held on 27 April 2018) and to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be issued pursuant to the vesting of the awards under the Plan provided that the aggregate number of shares to be issued pursuant to the Plan and any other share incentive schemes of the Company, shall not exceed three per centum (3.0%) of the total issued share capital of the Company (excluding treasury shares and subsidiary holdings) from time to time.
- (iii) The Ordinary Resolutions 9, 10, 11 and 12 in items 10, 11, 12 and 13 above are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022.

Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST provides that a Director will not be independent if he/she has been a Director for an aggregate period of more than nine (9) years and his/her continued appointment as an independent Director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the Directors and the Chief Executive Officer of the Company, and their respective associates (the **"Two-Tier Voting"**).

Mr Sim Idrus Munandar and Mr Ng Cher Yan are the Independent Directors who have served on the Board more than nine (9) years.

In view of the challenges faced in this ongoing COVID-19 pandemic, the Board, saved for the affected directors who had abstained from all deliberation, have recommended the continued appointment of Mr Sim Idrus Munandar and Mr Ng Cher Yan as independent Directors to assist the Board to address these challenges, via a Two-Tier Voting process for a three-year term, with effect from the passing of these resolutions proposed at the forthcoming AGM, until the conclusion of the third AGM of the Company following the passing of these resolutions.

A rigorous review was conducted for Mr Sim Idrus Munandar and Mr Ng Cher Yan to assess their independence pursuant to Guideline 2.4 of the Code of Corporate Governance 2012, which will be in effect till 31 December 2021. The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process will take some time in order to maintain stability of the Board. Furthermore, the Company benefits from such Directors who have, over time, gained valuable insights into the Group, its market and the industry.

The Nominating Committee and the Board have determined that Mr Sim Idrus Munandar and Mr Ng Cher Yan demonstrated strong independent character and judgement in the Board's deliberations. Their vast experience enables them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere in their ability to act in the best interests of the Company in exercising their independent judgement. Additionally, they have fulfilled the definition of Independent Directors of the Listing Manual of the SGX-ST and the Code of Corporate Governance 2018 (the **"Code"**). The Board trust that they are able to continue to discharge their duties independently with integrity and competency.

## NOTICE OF ANNUAL GENERAL MEETING

Upon passing the Ordinary Resolutions 9, 10, 11 and 12 respectively, the continued appointment of each of Mr Sim Idrus Munandar and Mr Ng Cher Yan as an Independent Director of the Company shall continue in force until the earlier of: (i) their retirement or resignation as the Independent Directors; or (ii) the conclusion of the third AGM of the Company following the passing of these resolutions.

Should the Ordinary Resolution(s) for the continued appointment of each of Mr Sim Idrus Munandar and Mr Ng Cher Yan as an Independent Director is/are not passed at the forthcoming AGM, each of Mr Sim Idrus Munandar and/or Mr Ng Cher Yan will no longer be independent and shall continue as Non-Independent Director(s) of the Company.

Rule 210(5)(c) of the Listing Manual of the SGX-ST (which will come into effect on 1 January 2022) and Provision 2.2 of the Code provides that the Independent Directors must comprise of at least one-third of the Board and the Independent Directors shall make up a majority of the Board where the Chairman is not independent respectively. In the event that the Ordinary Resolution(s) for the continued appointment of each of Mr Sim Idrus Munandar and/or Mr Ng Cher Yan as an Independent Director is/are not passed at the forthcoming AGM which renders the Company unable to meet these requirements, the Company shall make the necessary arrangement to comply with the relevant listing rules of the Listing Manual of the SGX-ST and the Code.

### Notes:

1. The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's corporate website at the URL <https://www.sampoernakayoe.co.id/investors/minutes-of-agm-egm/>. This Notice will also be made available on the SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to (i) attendance at the AGM via electronic means (including arrangements by which the Meeting can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream); (ii) submission of questions in advance in relation to any resolution set out in this Notice; (iii) addressing of substantial and relevant questions at the AGM prior to, or at, the AGM; and (iv) voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 15 April 2021. This announcement may be accessed at the Company's corporate website at the URL <https://www.sampoernakayoe.co.id/investors/minutes-of-agm-egm/>, and will also be made available on the SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.
3. **Due to the prevailing COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The accompanying proxy form for the AGM may be accessed at the Company's corporate website at the URL <https://www.sampoernakayoe.co.id/investors/minutes-of-agm-egm/>, and will also be made available on the SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy; failing which, the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

## NOTICE OF ANNUAL GENERAL MEETING

Central Provident Fund (“CPF”) or Supplemental Retirement Scheme (“SRS”) investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 20 April 2021.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
  - (a) if submitted by post, be deposited with the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd (“BCAS”), at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
  - (b) if submitted electronically, be submitted via email to the Company’s Share Registrar, BCAS, at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com),

in either case, not less than forty-eight (48) hours before the time appointed for the AGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

6. The Annual Report for the financial year ended 31 December 2020 may be accessed at the Company’s corporate website at the URL <https://www.sampoernakayoe.co.id/annual-report> by clicking on the hyperlinks “Download” under the “2020” section of “Annual Reports”.

### Personal data privacy:

By (a) submitting the Proxy Form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM via “live” audio-visual webcast or “live” audio-only stream, or (c) submitting question in advance in relation to any resolution set out in the Notice of AGM, a member of the Company consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration by the Company (or its agents or service providers) of Proxy Forms appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes (including questions and answers) and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to observe and/or listen the proceedings of the AGM via “live” audio-visual webcast or “live” audio-only stream and providing them with any technical assistance where necessary;
- (iii) addressing all substantial and relevant questions received from members relating to the resolutions set out in the Notice of AGM to be tabled for approval at the AGM prior to the AGM and if necessary, following up with the relevant members in relation to such questions; and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member may be recorded by the Company for such purposes.

# SAMKO TIMBER LIMITED

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

# PROXY FORM

Annual General Meeting

## IMPORTANT NOTICE FOR ALTERNATIVE ARRANGEMENT FOR ANNUAL GENERAL MEETING

1. The Annual General Meeting ("AGM" or the "Meeting") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM dated 15 April 2021 will not be sent to members. Instead, the Notice of AGM will be sent to members by electronic means via publication on the Company's corporate website at the URL <https://www.sampoernakayoe.co.id/investors/minutes-of-agm-egm/>. The Notice of AGM will also be made available on the SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to (i) attendance at the AGM via electronic means (including arrangements by which the Meeting can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream); (ii) submission of questions in advance in relation to any resolution set out in the Notice of AGM prior to the AGM; (iii) addressing of substantial and relevant questions prior to, or at, the AGM; and (iv) voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 15 April 2021. This announcement may be accessed at the Company's corporate website at the URL <https://www.sampoernakayoe.co.id/investors/minutes-of-agm-egm/>, and will also be made available on the SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.
3. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**
4. For investors who have used their Central Provident Fund ("CPF") monies ("CPF Investors") or monies in the Supplementary Retirement Scheme ("SRS") accounts ("SRS Investors") who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 20 April 2021.
5. By submitting this proxy form appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 April 2021.
6. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

\*I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport/Company Registration Number)

of \_\_\_\_\_ (Address)

being a member/members of Samko Timber Limited (the "Company"), hereby appoint the **Chairman of the Meeting** as my/our\* proxy to attend, speak and vote for me/us\* on my/our\* behalf, at the AGM of the Company to be convened and held by way of electronic means on **Friday, 30 April 2021, at 3:00 p.m.** and at any adjournment thereof.

\*Delete where inapplicable

No.	Resolutions relating to:	Number of Votes		
		For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020 together with the Independent Auditors' Report			
2	Re-election of Mr Sim Idrus Munandar as a Director			
3	Re-election of Mr Ito Sumardi as a Director			
4	Re-election of Mr Hadi Daryanto as a Director			
5	Approval of Directors' fees amounting to S\$268,446 for the financial year ending 31 December 2021			
6	Re-appointment of Messrs Moore Stephens LLP as Auditors			
7	Authority to allot and issue new shares			
8	Authority to issue shares under the Samko Timber Performance Share Plan			
9	Approval for the continued appointment of Mr Sim Idrus Munandar, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST			
10	Approval for the continued appointment of Mr Sim Idrus Munandar, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST			
11	Approval for the continued appointment of Mr Ng Cher Yan, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST			
12	Approval for the continued appointment of Mr Ng Cher Yan, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST			

All resolutions put to the vote at the AGM shall be conducted by way of poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes **For** or **Against** a resolution, please indicate with an "X" within in the **For** or **Against** box provided in respect of that resolution. Alternatively, please indicate the number of votes **For** or **Against** in the **For** or **Against** box in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to **Abstain** from voting on a resolution, please indicate with an "X" in the **Abstain** box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to **Abstain** from voting in the **Abstain** box in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

**IMPORTANT: Please read notes on the reverse**

## Notes:

1. A member of the Company should insert the total number of shares held. If the member has shares entered against his/her/its name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he/she/it should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register and shares registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares entered against his/her/its name in the Depository Register and registered in his/her/its name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
2. **Due to the prevailing COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** This proxy form may be accessed at the Company's corporate website at the URL <https://www.sampoernakayoe.co.id/investors/minutes-of-agm-egm/>, and will also be made available on the SGX's website at the URL <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy; failing which, the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

CPF Investors or SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 20 April 2021.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
  - (a) if submitted by post, be deposited with the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd ("BCAS"), at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
  - (b) if submitted electronically, be submitted via email to the Company's Share Registrar, BCAS, at [AGM.TeamE@boardroomlimited.com](mailto:AGM.TeamE@boardroomlimited.com),

in either case, not less than forty-eight (48) hours before the time appointed for the AGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting 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 of proxy; failing which, the instrument may be treated as invalid.
6. The Company shall be entitled to reject the instrument appointing or treated as appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing or treated as appointing the Chairman of the Meeting as proxy (including any related attachment). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing or treated as appointing the Chairman of the Meeting as proxy lodged if such members, being the appointer, are not shown to have shares entered against their names in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

## Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 April 2021.



## CORPORATE INFORMATION

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### BOARD OF DIRECTORS

#### Executive:

Riko Setyabudhy Handoko  
*(Chief Executive Officer)*

#### Non-Executive:

Eka Dharmajanto Kasih  
*(Non-Independent Non-Executive Chairman)*

Michael Joseph Sampoerna  
*(Non-Independent Director)*

Ng Cher Yan  
*(Lead Independent Director)*

Sim Idrus Munandar  
*(Independent Director)*

Wee Ewe Lay Laurence John  
*(Independent Director)*

Ito Sumardi  
*(Independent Director)*

Hadi Daryanto  
*(Independent Director)*

### AUDIT COMMITTEE

Ng Cher Yan *(Chairman)*  
Sim Idrus Munandar  
Wee Ewe Lay Laurence John

### NOMINATION COMMITTEE

Sim Idrus Munandar *(Chairman)*  
Ng Cher Yan  
Wee Ewe Lay Laurence John

### REMUNERATION COMMITTEE

Wee Ewe Lay Laurence John *(Chairman)*  
Ng Cher Yan  
Sim Idrus Munandar

### BOARD RISK COMMITTEE

Sim Idrus Munandar *(Chairman)*  
Eka Dharmajanto Kasih  
Riko Setyabudhy Handoko  
Ng Cher Yan  
Wee Ewe Lay Laurence John  
Ito Sumardi  
Hadi Daryanto

### SECRETARY

Kiar Lee Noi

### REGISTERED OFFICE

7500A Beach Road  
#08-305/307 The Plaza  
Singapore 199591  
Tel: 6298 2189  
Fax: 6298 2187

### SHARE REGISTRAR/SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Tel: 6536 5355  
Fax: 6536 1360

### AUDITORS

Moore Stephens LLP  
10 Anson Road #29-15  
International Plaza  
Singapore 079903

### AUDIT PARTNER-IN-CHARGE

Ng Chiou Gee Willy  
*(Appointed on 21 October 2019)*



## **SAMKO TIMBER LIMITED**

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