SAMPOERNA KAYOE

SUSTAINABLE TOMORROWS

SAMKO TIMBER LIMITED

Annual Report 2021

SAMPOERNA KAYOE

CONTENTS

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 +/- 900,000m³; exported 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 maximization and product innovation, setting the stage for value creation and growth.

With more than 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, severely affecting lives and businesses worldwide. As the new Omicron COVID-19 variant spreads throughout 2021, numerous countries have reimposed mobility restrictions, creating disruptions in the economic recovery. Despite these setbacks, the global economic recovery in 2021 was largely encouraging. Given the pent-up consumer demand and fiscal support from governments worldwide, global economy rebounded by 5.5%.

This sense of optimism has also been felt in Indonesia. Having seen a decline in gross domestic product (**"GDP"**) by 2.1% in 2020, Indonesia welcomed a rebound in 2021, as GDP grew by 3.69%, in line with the forecast announced by the Finance Ministry earlier in the year. Annual household consumption grew 2.02% year-on-year, recovering from a 2.63% decline in 2020. Whilst these figures hover lower than the pre-pandemic trend of 5% annual GDP expansion, the upward trajectory is apparent, as businesses normalize their activities. Correspondingly, the unemployment rate in Indonesia has dropped to 6.49% in 2021, from 7.07% in 2020.

Indonesia's comprehensive response to the pandemic has played a crucial role in our roadmap to recovery. At the onset of the COVID-19 pandemic, the Government promptly constructed a nationwide vaccination plan which has been implemented meticulously throughout FY2021. The Ministry of Health identifies the nationwide vaccination program as one of the key pillars to minimize the pandemic-induced fatality and to safeguard the economy. Thus, the vaccination drive continues in FY2022, with the expansion of the recipient group to aged six and above.

The Group's sales increased by 23% year-on-year to Rp. 3,900 billion, mainly due to an increase in export sales. On a similarly positive note, our average selling price has increased by 19%. Gross profit also increased by 19%, as the increase in revenue outweighs the rise in our raw material and freight costs.

Looking Ahead

With the improvements in COVID-19 statistics and the steady roll-out of the national vaccination program, the ongoing national economic recovery is predicted to accelerate. In 2022, the Indonesian economy is expected to grow 5%, as the normalizing health situation fosters the return of consumer demand and investor confidence. Macroeconomic stability will be maintained with inflation under control, and targeted at 3+%/-1%, and will be supported by increasing national production capacity through efficiency and productivity gains.

In regards to the export market, the Group continues to strengthen our global position. The US market remains our key 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. We also continue our steadfast commitment towards sustainability. In 2021, we successfully expanded our Forest Stewardship Council (**"FSC"**) and Chain of Custody (**"CoC"**) certification, now covering our plywood mills in Jambi, Jombang and Salatiga. In addition, we implemented solar panels in our mill in Jombang, as a pioneering project in our drive towards green energy. This will be a continuous effort by all parties within our Group.

APPRECIATION

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 (the "**Company**" and together with its subsidiaries, the "**Group**") for the financial year ended 31 December 2021 ("**FY2021**"). Year 2021 was an encouraging year for the Group. I am proud to lead the Group in accelerating our growth, amidst this pandemic recovery period in my sixth year as the Chief Executive Officer with the support of the Board and a steadfast team.

FINANCIAL REVIEW

For FY2021, the Group's sales increased 23% year-on-year ("**yoy**") to Rp. 3.9 trillion. The increase in sales revenue was largely driven by the growth in our export sales, especially in the US market, in which the sales volume increased by 98%. The focus on export markets resulted in the rise in our overall average selling price by 18% in FY2021 as compared to FY2020. Gross profit also increased by 19% in FY2021.

The Group's selling expenses for FY2021 increased by 65% to Rp 268.4 billion, mainly due to the challenges in logistics, and the subsequent rise in global freight costs. Finance expenses, which is related to interest expense, increased 11% yoy to Rp 123 billion, due to the addition of new Group loans.

As a result of the above, the Group recorded a net loss of Rp. 4 billion in FY2021 as compared to a net loss of Rp. 37 billion in FY2020.

OPERATIONAL REVIEW

During FY2021, the Group has strived to streamline its operations and to enhance its presence in the global market.

The COVID-19 outbreak is an unfortunate event which affected millions of people and businesses alike. Though we have seen a growth in the Export market, we continue to face slow and steady recovery in the Domestic market. Amidst the challenging business climate, the Group is pleased to report that we have closed FY2021 better than the forecast we set at the beginning of the year.

With the major improvement in our production expertise to increase our export grade product, the Group has excelled in various Export markets worldwide. Even though there was a global disruption in the availability of containers and freight costs, we successfully navigated through these challenges, and identified efficient modes of transportation, thereby supporting our initiative in expanding our global footprint. In FY2021, the Group is proud to announce that it was awarded the Primaniyarta Award [Category: *Eksportir Pembangunan Merek Global*]. The Primaniyarta Award is the greatest reward granted by the Government of the Republic of Indonesia to the most prominent Indonesian exporters, in recognition of their global success, and to motivate other exporters to emulate these success stories. Sampoerna Kayoe was acknowledged for the success in developing a renowned global brand, thus contributing to the economic growth of Indonesia.

As part of the Group's continued commitment towards sustainability, we successfully attained Forest Stewardship Council ("**FSC**") and Chain of Custody ("**CoC**") certification for our biggest plywood mills, located in Jambi, Jombang and Salatiga. The Group committed to build the future of responsible forestry by expanding the implementation of best management practices for our Group-managed farmers community, working with more smallholder farmers to obtain FSC Small and Low

Intensity Managed Forest ("**SLIMF**") certification. We have added 242 Hectares and 106 Hectares certified areas respectively in Jambi and Jombang this year, with total of 706 community forest farmers under our forestry program. Likewise, in continuing our sustainability journey, the Group are also in the process of reaching an international sustainable forest management certification for its timber plantation with total of 11,780 Hectares. Our continuous commitment towards sustainability has attracted interest worldwide. In FY2021, the Group became the first plywood company to have been invited to present our sustainability and decarbonization roadmap in COP26 UNFCC, held in Glasgow, United Kingdom.

In FY2021, the Group implemented the installation of its pioneer solar PV project in Jombang, with a capacity of 1.7 MWp. This is to be gradually rolled out to our mills across Indonesia, in our drive towards clean and renewable energy. These ongoing initiatives by the Group are in line with the Nationally Determined Contribution ("**NDC**") of the Republic of Indonesia, which sets out the Government's vision to expedite transformational changes towards a low carbon economy and climate resilience development.

2022 OUTLOOK

In spite of the rising challenge of global logistics and prices of materials for the Group in 2022, Bank Indonesia projects national economic growth in Indonesia in 2022 in the 4.7%-5.5% range, stimulated by ongoing global economic improvements that are driving solid export performance, coupled with growing domestic demand in terms of consumption and investment. This growth is to be further supported by a faster vaccination rollout, reopening of economic sectors and policy stimuli. Aside from the various operational improvement activities, and our unwavering dedication towards sustainability, the Group places key focus in the ongoing construction of Mangole project, which has been reinvigorated in Q3 2021, after a one-year delay due to the onset of COVID-19.

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. The Group emphasizes its unwavering commitment towards Environmental, Social and Corporate Governance ("**ESG**"), instilling these values as a shared responsibility and vision throughout the organization. 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

Sampoerna Kayoe's Plywood are flat and dimensionally stable. Our plywood also have smooth surface, superior strength, high durability.

MILESTONE

1978
• Mr Koh Boon Hong (Hasan Sunarko), Founder of Samko, started business activities 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 through a dilution of our 51.62% shareholding to 31%. SLJ was in a less favorable financial condition and the deconsolidation strengthens Samko's financial position
• Commencement of joint venture between our subsidiary, PT Sumber Graha Sejahtera and PT Wahana Sekar Agro to jointly develop a timber plantation in West Java

2011
• Establishment of Samkowood Products Sdn. Bhd. (Distribution Company in Malaysia)
• Commencement of the development of our own industrial forest plantation in Jambi to sustain our future needs for 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
• Establishment of Samko USA LLC (Distribution Company in USA)

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 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

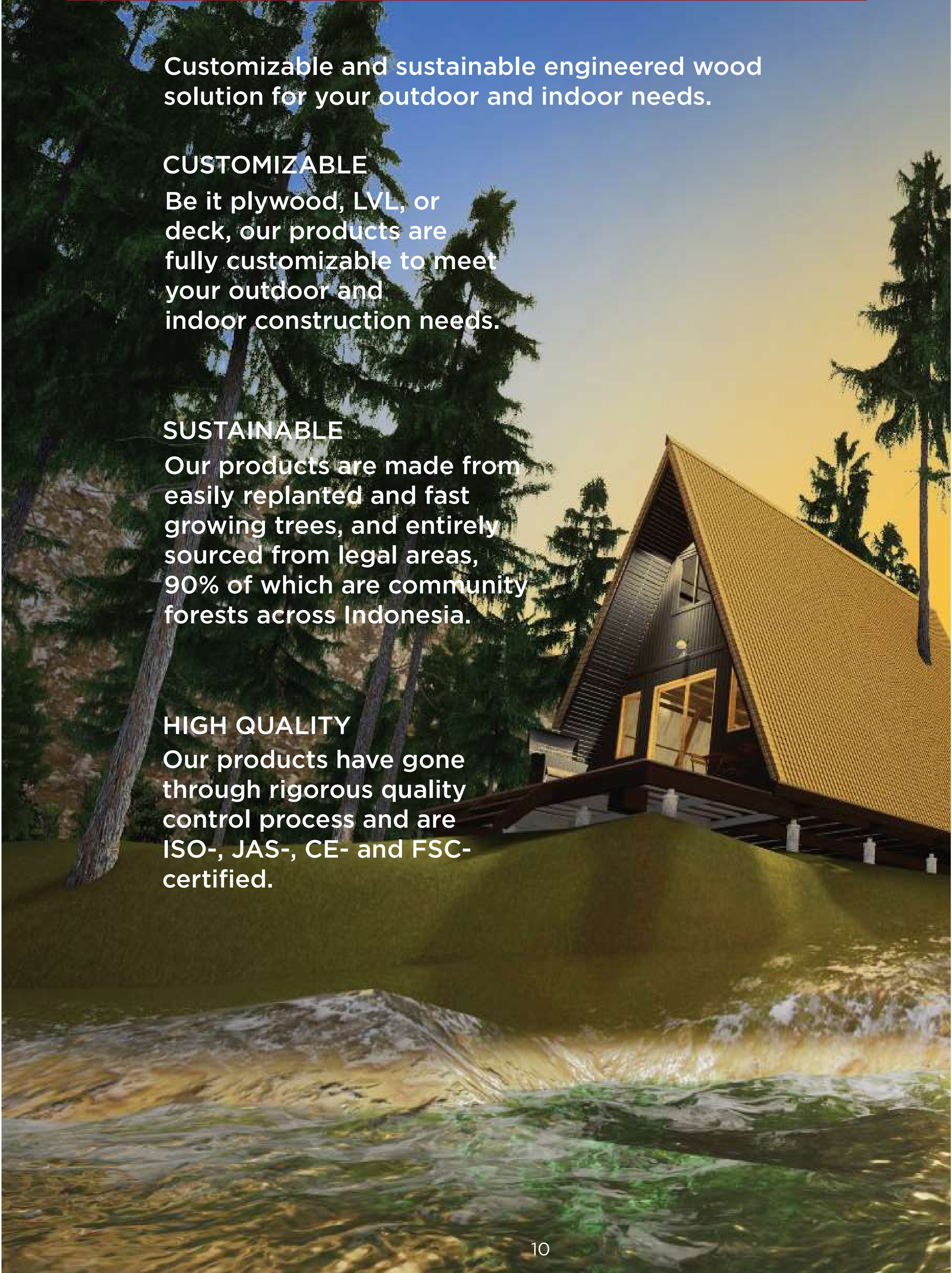
2020

• 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

2021

• PT Sumber Graha Maluku (and its subsidiaries) have started the construction of the plywood factory buildings and infrastructures, to become a fully integrated plywood production facility located in North Maluku Province, which encompasses the forest concessions and the manufacturing plant

Building material solutions with sustainable wood



Customizable and sustainable engineered wood solution for your outdoor and indoor needs.

CUSTOMIZABLE

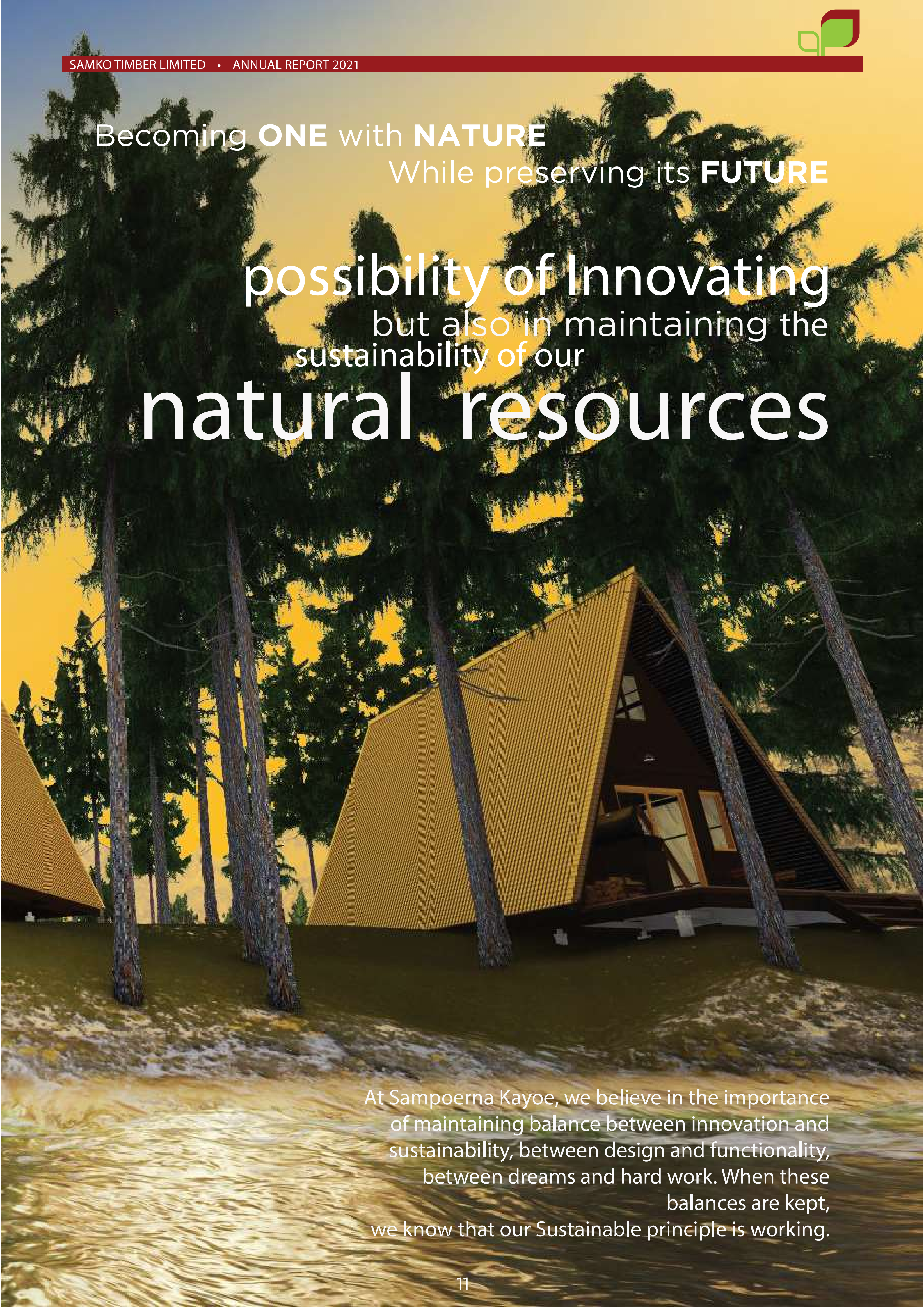
Be it plywood, LVL, or deck, our products are fully customizable to meet your outdoor and indoor construction needs.

SUSTAINABLE

Our products are made from easily replanted and fast growing trees, and entirely sourced from legal areas, 90% of which are community forests across Indonesia.

HIGH QUALITY

Our products have gone through rigorous quality control process and are ISO-, JAS-, CE- and FSC-certified.



Becoming **ONE** with **NATURE**
While preserving its **FUTURE**

possibility of Innovating
but also in maintaining the
sustainability of our
natural resources

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 Sustainable principle is working.

BOARD OF DIRECTORS

Mr Eka Dharmajanto Kasih

Non-Independent and Non-Executive Chairman

Aged 71, 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.

Date of first appoint ment 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
President Commissioner

PT Apexindo Pratama Tbk
Commissioner

Other Principal Commitments:

MK 3 Investment Pte Ltd
Chairman

Templeton Pte Ltd
Non Executive Director

PT Union Sampoerna
Commisioner

Sampoerna Forestry Limited
Director

PT Sampoerna Strategic
Commissioner

PT Sampoerna Investama
Director

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

Mr Riko Setyabudhy Handoko

Executive Director and Chief Executive Officer

Aged 49, 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:
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 43 , 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.

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
Nil

Other Principal Commitments:
Putera Sampoerna Foundation
Member of the Board of Patrons

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

Mr Ng Cher Yan

Independent and Non-Executive Director

Aged 63, 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 Chartered Accountants, in Australia and New Zealand.

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:

Bull Will Co. Ltd.
Non Executive Director

Mr Sim Idrus Munandar

Independent and Non-Executive Director

Aged 67, 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.

Date of first appointment as a director:
14 December 2007

Date of last re-election as a director:
30 April 2021

Present Directorship:
Other Listed Companies

Kencana Agri Limited
Independent Director
PT Kencana Energi Lestari Tbk
Independent Commissioner
PT Wintermas Offshore Marine Tbk
Commissioner

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 69, 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

Date of first appointment as a director:
1 April 2021

Date of last re-election as a director:
30 April 2021

Present Directorship:
Other Listed Companies
Nil

Other Principal Commitments:
Quahe Woo & Palmer LLC
Director

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

Mr Hadi Daryanto

Independent and Non -Executive Director

Aged 64, Mr. Hadi Daryanto has appointed to the Board since 1 April 2021. Mr Daryanto has extensive education Forestry major and experience in various Forestry sectors in Indonesia. Prior to joining the Group, he hold 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
(vi) Secretary of Forest Research & Development of the MOF
(vii) Chief of Forest Product Research of Forest R&D of the MOF (2002-2004), (vii) 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).

Date of first appointment as a director:

1 April 2021

Date of last re-election as a director:

30 April 2021

Present Directorship:

Other Listed Companies

Nil

Other Principal Commitments:

Nil

Past Directorships in listed companies held

over the preceding three years:

Nil

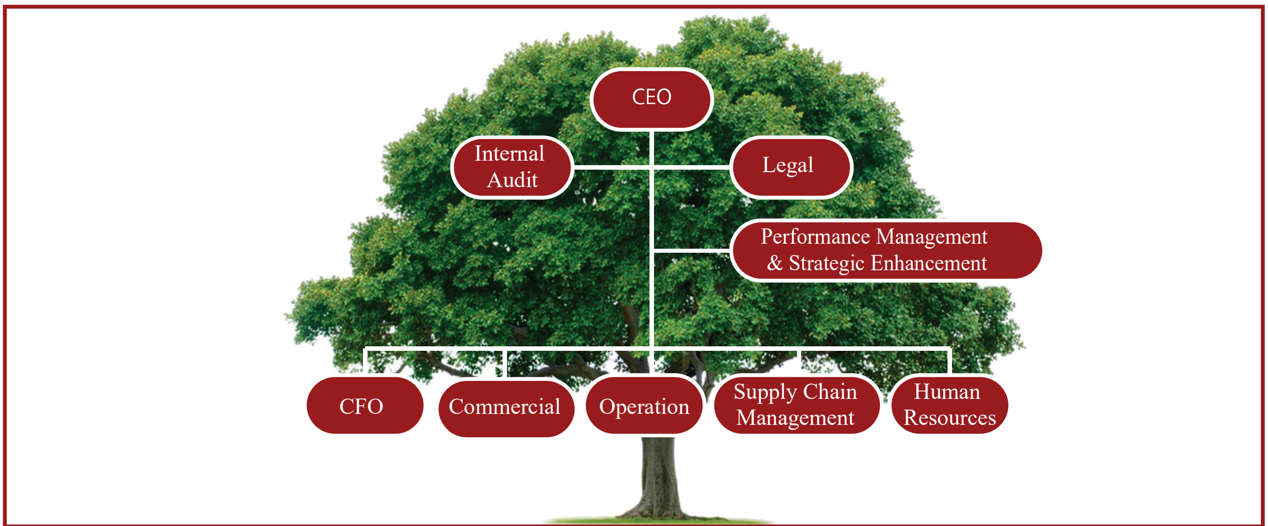
In addition Mr. Daryanto also spent significant times in non-bureaucracy positions, among others:

(i) Member of Board of Trustee RECOFTC – the Center for People and Forest in Bangkok, Thailand (an international NGO) (2016-2020),
(ii) Head of Board of Commissioner (Ketua Dewan Pengawas) BOT Perum Perhutani (a State Owned Company) (2009-2015)
(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, ie 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 National Superieur d' Ectronique and Mecanique (E.N.S.E.M.) of Institute National Polytechnique de Loraine (I.N.P.L.) of Nancy, France – 1998
- Diplome Etudiante D'approfodies (D.E.A.), Wood Science at France Grand Ecole: E.N.S.E.M. (Ecole National Superieur D'electricite Et Mecanique), I.N.P.L. (Institute National Polythecnique de Loraine) and University of Nancy, France – 1985
- Bachelor Degree of Forest Management, Bogor Agricultural University (Institute Pertanian Bogor), Bogor, Indonesia – 1981

SENIOR MANAGEMENT & ORGANIZATION



Under the new Senior Management Organization Structure, the Group will be led by the CEO (i.e. Mr Riko Setyabudhy Handoko), who will get direct reporting from nine Senior Managers, namely:

- Chief Financial Officer and Head of Finance & Accounting Division
  Mr Johanes Ibrahim Tjendana
- Head of Commercial Division
  Mr Edward Tombokan
- Head of Operations Division
  Mr Rudiyanto Tan
- Head of Supply Chain Management Division
  Mr Andrew Wardoyo
- Head of Human Resources Division
  Mr Fredson Kotamena
- Head of Internal Audit Division
  Mr Hendry Susanto
- Head of Legal and Corporate Affairs Division
  Mr Arief Zakaria
- Head of Performance Management & Strategic Enhancement Division
  Mr Alvin Puspowidjono

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 carrier 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 has 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, Mr Wardoyo 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.

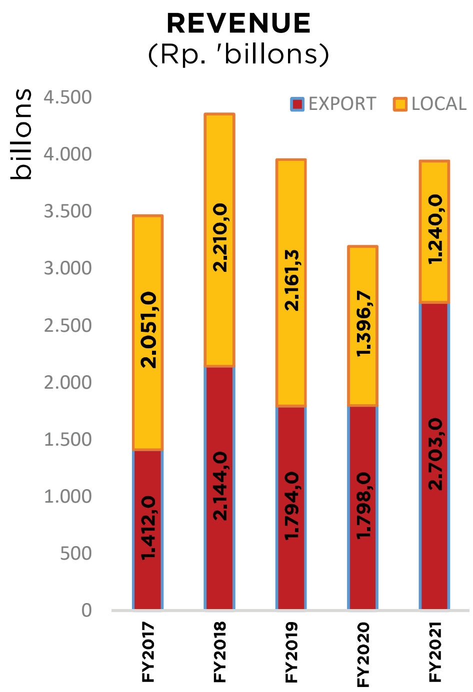
Designing the Interior with sustainable wood

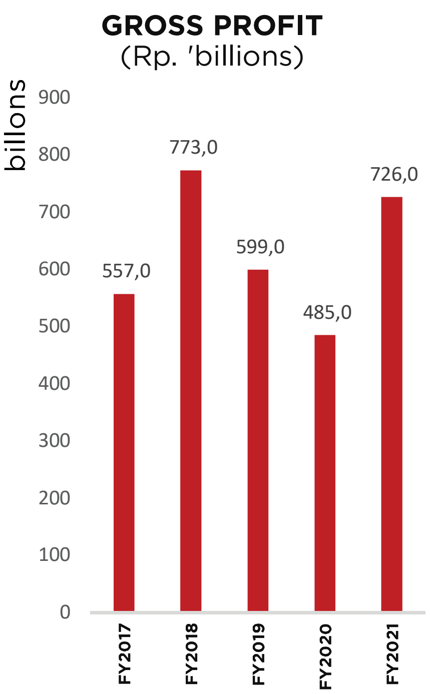
Sampoerna Kayoe's Architect Gatherings give Indonesian architects an opportunity to exchange ideas and get the latest trends in sustainable architecture and green design from around the globe.

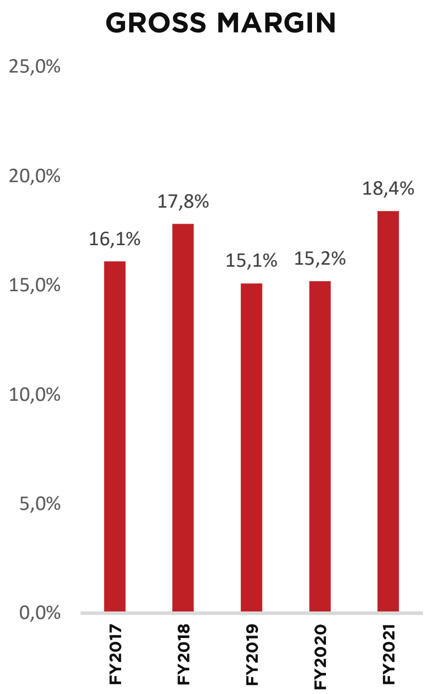
FINANCIAL HIGHLIGHTS

Create inspiration with wood

Driven by our commitment towards sustainability, Sampoerna Kayoe has developed an innovative technology that allows us to turn rubber plantation waste into high quality processed timber products.







Innovative Design with sustainable timber

Sampoerna Kayoe produces innovative and world-class engineered wood solutions while ensuring sustainable natural resources. Whatever visions you have for your projects, the future of our planet is assured.

OUR SUSTAINABILTY DEVELOPMENT

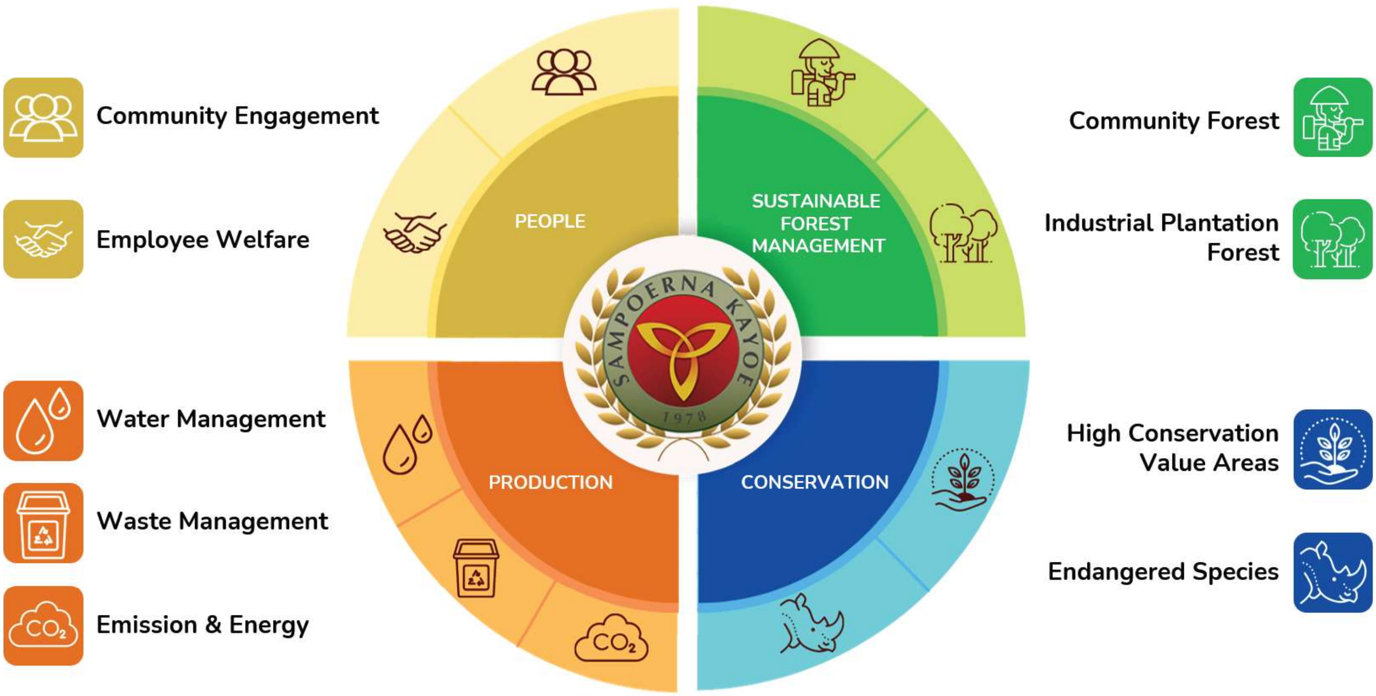
Sampoerna Kayoe vision's is to become a leading and respected global timber manufacturer; adopting relentless sustainability strategy as superior value to all stakeholders. The company aim to rejuvenating Indonesia natural sourced industry and contribute in solving global sustainability issues.

In 2021, Sampoerna Kayoe launched a new sustainability framework that replaced the old agenda. The new framework is powered us to build new opportunities of prolonged business model in responding to rapid environmental changes.

Our framework defined strong principles of responsible business method. We are driven to investing shared values for our stakeholders, implementing forestry best management practices, continuously innovate production efficiency and preserve biodiversity values across ecological areas. Sampoerna Kayoe contribute to Indonesia's growth and will continue to be a vehicle for economic development in the regions we operate in.

We have utilized the UN Sustainable Development Goals (SDGs) in developing our framework, which SAMKO can align its business strategies and priorities to, ensuring that we are contributing to where the need is greatest in accordance with the global sustainable agenda. The result of our mapping activity resulted in Sampoerna Kayoe's Sustainability Agenda: Sustainability Vision 2030. SAMKO will focus on four aspects in which our business operations can make the most impactful contribution, such as: people, production, sustainable forest management and conservation.

SAMPOERNA KAYOE SUSTAINABLE VISION 2030



Strengthen Corporate Governance

Integrate and Promote Sustainability Best Practices throughout Our Business

Sustainability Vision 2030

Sustainable Forest Management

We aim to become the leading timber manufacturer that inspire and encourage environmentally responsible forest management practices.

- Community Forest:
As one of the biggest timber companies in Indonesia, we have a dream to inspire timber business players to implement best management practices towards community forest that play an important role in running the industry. All of SAMKO's logs are sourced from legal concession areas in Indonesia, with 90% of our wood sourced from community forests. We have approximately 1,500 suppliers who are actively involved in developing and shaping the plywood industry. This makes Sampoerna Kayoe fully committed to nurturing and assisting community farmers to manage their forest sustainably, not only in accordance with national standards but escalate to international certification procedures. We believe in this green system the forests will remain healthy while also improving the farmers' life quality. Through our vision, we hope that together we can continue engaging a broader scale of community farmers to responsibly maintain and protect forests in a sustainable way.

As a member of the Forest Stewardship Council ("**FSC**") economic chamber, SAMKO directly contributes to FSC standards and committed to shape the future of responsible forestry by expanding our support to smallholder farmers with the aim of building a wider family of suppliers whose raw materials are FSC certified. This year, in continuing our sustainability journey, we have added 242 hectares and 106 hectares respectively in Jambi and Jombang, with total of 706 community forest farmers under our forestry program.

- Industrial Plantation Forest:
In late 2019, SAMKO acquired forest concession rights of about 59,000 hectares in North Maluku, Indonesia. Our aim is to revitalising the abandoned forests to reach its full potential, responsibly utilise its multifunctional resources and making positive change to benefit the ecosystem and all stakeholders. This has allowed SAMKO to expand the sustainable business strategy upstream in the management and industrial forest plantations operation to deliver valuable result for both people and the planet.

Currently, SAMKO is in the process of reaching an international sustainable forest management certification for its timber plantation. Simultaneously, to achieve its business sustainability, we are also developing infrastructure, construction of public facilities and creating jobs to improve lives and grow our business, engaging and collaborating with the local community every step of the way.

Conservation

As a company dependent on healthy forest and sustainable plantations, we are committed to implementing best practices in forest management and conservation.

- High Conservation Value:
We believe that all life on earth is solely dependent on a healthy nature and by that when we work to save nature, we are really working to save ourselves. SAMKO carries out its commitment in maintaining healthy ecosystem by preserving forest biodiversity and conservation values. We have conducted HCV assessment and Social Impact Assessment (SIA) within and around our immediate concession and community forests areas by eligible parties. SAMKO will continue ensuring the zero net loss of conservation value and zero raw materials sourced from high conservation values areas.

- Endangered Species:
When a species becomes endangered, it is a sign that the ecosystem is slowly falling apart. Sampoerna Kayoe expanding their conservation efforts to include the protection of endangered species that will contribute to a significant role in the ecosystem. SAMKO believes a well-balanced ecosystem will keep the environment healthy, ensuring all living creatures have access to fresh air, clean water, and fertile land to remain healthy. In order to maintain the ecological values, we will continue to preserve the diversity of life in this planet.

People

As a company with operations across Indonesia, we recognize the need for localized strategies. We must mobilize our communities and our employees to creating lasting change.

- Community Engagement:
Sampoerna Kayoe recognized the process of working collaboratively with and through surrounding communities is a powerful vehicle to achieve sustainable outcome. Our strategic method deliberately is to shift the focus from the individual to mutual interest, ensuring the equitable decision making is made by diversity that exists within the communities. In order to do well, SAMKO adopt an external outlook and understand the societies issues of most relevance to our business.

Our programs reflect the interdependence of economic, environmental, education, health and social issues by acknowledging within and around our operational areas. The engagement involves how we work to strengthening our relationship with individuals, groups and organisation that are both directly and indirectly affected by our business. SAMKO believes by the right adjustment, deep connection and trust between communities and organization, enable us to develop a new path towards a long-term and well-function democracy that is relevant to all stakeholders.

The Group is committed to supporting community-based activities which are both in line with our business objectives and beneficial to the societies in various voluntary activities throughout the year:

- Contributing variety of seedlings for free to support forest regeneration
- Implementing and encouraging involvement of community forest farmers in forestry best management practices program
- Develop a product innovation for farmers to increase individual farmer income

- Contributing wood wastes as construction materials for public facilities including mosques, churches, health clinics, and roads within and around our operational areas
- Offering scholarships to best performing students
- Supporting health program including free medical check-up, blood donation and vaccination program
- Supporting various social activities conducted surrounding our factories including necessities supplies, religious ceremonial, national cultural and sport events

- Employee Welfare:

We believe the well-being of our employees is crucial to achieve business sustainability. SAMKO understand the need of providing the best work experience is important element to deliver the feel of being valued, safe, comfortable and treated fairly.

In upholding the principles of human rights, justice, and equality, the Groups oppose discrimination in any form regardless of their background, ethnicity, religion, race and remain promoting gender equality across our organization. All company policies, rules and guidelines apply universally to all management levels, empowering the business development based on integrity, transparency and professional behaviour according to government regulation.

The Group conducts the business in a fair and equal manner which places people at the core of what we do. As a labour-intensive company operating in developing and remote regions, forced labour and child labour are prominent risks in our industry. SAMKO has a strict policy against forced labour and child labour of any form in all of our operations. 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, 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 supports.

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. The 2021 programs conducted include managerial skills, non-technical skills, technical skills and functional skills. SAMKO consistently manage their employee performance assessment to identify relevant training in order to improve employee performance. We intends to launch Batch VII of the Operational Acceleration Program (OAP) in 2022, includes PT. Sumber Graha Maluku in Mangole, North Maluku.

We are committed to ensure all employees get their rights in the acquisition of allowances and compensation, health and safety, adequate working environment, career advancement, and training and development to build their potential. SAMKO defines itself as a workplace of great diversity and always strive to create a workplace that truly suits employees' aspirations.

Production

We rely on the natural environment to operate. We are committed to continuously improve and innovate our production efficiency to reduce the environmental footprint by doing more with less.

- Water Management

SAMKO realize that water is one of the planet's most important resources to all aspects of life and business. Likewise, water management is a crucial element to ensure sustainable use of resources and safeguard in our business continuity. We strive to improve water efficiency by taking several actions to increase water recycling rate by reusing water to support our operational activities in the log pond area. We remain committed to continuously enhance efficiency in our production process, encouraging our employees to taking water usage into their account responsibly, measuring our water consumption and strengthen our data collection process in subsequent years to implement more robust systems to monitor our performance.

- Waste Management

Waste management is an integral part of the Triple Bottom line of sustainability. SAMKO believe in establishing a responsible and better waste management system not only helps companies to reduce their environmental impact, but also underlying the concept of reuse, recycle, and recover materials to achieve sustainability outcome.

We continuously 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 are mindful of handling different types of waste carefully to prevent pollution and safety hazards and comply with the relevant prevailing regulation.

SAMKO is committed to use material resources efficiently by cutting down on the amount of waste produced and where waste is generated. We will actively be dealing with it in a way that is impactful to the social, economic and environmental goals of sustainable development.

- Emissions & Energy

SAMKO believes the efficient use of energy contributes to less energy consumption and the reduction of greenhouse gases released to the environment, thus improving environmental sustainability. For this reason, together with the UN Climate agenda and national NDC, the Groups targets to increase use of renewable energy that comply with government emission regulation and standards.

In the year 2021, SAMKO pioneered the largest installation of solar panels in one of our factories in East Java with the CO_2 emissions reduction for 1,103 tCO_2e in Tanon and 491 tCO_2e in Pundong yearly, as a form of our contribution to sustainable energy sources. Currently, we continue our climate agenda by expanding the implementation of solar panel system in the other seven main factories.

Sampoerna Kayoe will remain committed to drive the change for cleaner world, reduce the risk of air pollution and promote innovations for sustainable solutions.

Business with a Conscience

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**")
- Certificate of Conformity of the Factory Production Control (**CE Marking – Structural Plywood**)

With these certifications the Group is able to strengthen its brand identity as well as explore new paths 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 and eco-friendly products.

As a responsible timber processing Group, we are committed to ensuring the long-term sustainable business approach 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 2021.

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**") recognized 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 is a fundamental part of their responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

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 2021 ("**FY2021**"), 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**") and the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"). The focus shall be on areas such as internal controls, risk management, financial reporting internal and external audits.

The Board is pleased to confirm that for FY2021, 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

<u>THE BOARD'S CONDUCT OF ITS AFFAIRS</u>

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.

<u>Provision 1.1</u>

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:

- The review of the Group's financial performance;
- Consider sustainability issues as part of the Group's strategic formulation;
- Responsibility for corporate governance;
- Establish a framework of prudent and effective controls which enable risks to be assessed and managed;
- Review management performance;
- 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

- Ensure that the Group maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets.

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 Business 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 times 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:

- Avoid any conflicts of interest with the Company;
- Maintain confidential or proprietary information about the Company or other parties that have dealings with the Company;
- Comply with the Company's guidelines and all laws, rules and regulations applicable to the Company;
- Endeavor in any dealing with the Company's customers, suppliers, competitors and employees in a fair manner;
- Practice and promote ethical behavior and encourage the employees of the Company to report any illegal or unethical behavior to the Board; and
- 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, 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 (the "**IPT**") 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 Group'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 of directors will generally have different classes of directors with different roles:

- **Executive Directors (EDs)** are usually members of the management who are involved in the day-to-day running of the business. Executive Directors are expected to:

  (a) provide insights on the company's day-to-day operations, as appropriate;

  (b) provide the management's views without undermining the management's accountability to the board of
  directors; and

  (c) collaborate closely with Non-Executive Directors for the long-term success of the company.

- **Non-Executive Directors (NEDs)** are not part of the management. They are not employees of the company and do not participate in the company's day-to-day management. Non-Executive Directors are expected to:

  (a) be familiar with the business and stay informed of the activities of the company;

  (b) constructively challenge the management and help develop proposals on strategy;

  (c) review the performance of the management in meeting agreed goals and objectives; and

  (d) participate in decisions on the appointment, assessment and remuneration of the Executive Directors and key management personnel ("**KMP**") generally.

- **Independent Directors (IDs)** are Non-Executive Directors who are deemed independent by the board of directors. Independent Directors have the duties of the Non-Executive Directors, and additionally provide independent, and objective advice and insights to the board of directors and the 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.

Appointment Letter

Upon appointment of each Director, the Company shall provide a formal letter of appointment to the Director, setting out the Director's roles, obligations, duties and responsibilities, and the expectations of their contribution to the Company as a member of the Board.

Continuous Training and Development of Directors

The Company does not have a formal training program for the Directors but all incoming Directors will undergo a comprehensive and tailored induction on joining the Board. This includes his or her duties as a Director and how to discharge those duties, and an orientation programme to ensure that he or she is familiar with the Group's business and governance practices. To get a better understanding of the Group's businesses, the incoming Director(s) will also be given the opportunity to meet with Management.

The Company will also arrange for first-time Director(s) to attend relevant training in relation to the roles and responsibilities of a Director of a public listed company in Singapore as prescribed by the SGX-ST and in areas such as accounting, legal and industry-specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company.

The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. The Board will consider adopting a policy on continuous professional development for Directors.

To keep pace with new laws, regulations, changing commercial risks and financial reporting standards, all Directors are encouraged to be members of the Singapore Institute of Directors ("**SID**") and attend specifically tailored training conducted by professionals at least annually. Directors are also encouraged to attend, at the Company's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations. The Company Secretary will bring to the Directors' attention information on seminars that may be of relevance or use to them.

All Directors are provided with regular briefings from time to time on changes in the relevant laws and regulations in relation to accounting standards, Listing Rules, corporate governance and other regulations or statutory requirements. Briefings, updates and trainings for the Directors in FY2021 included the following:

- The External Auditors ("**EA**") had briefed the AC and the Board on changes and/or amendments to accounting standards; and

- The Company Secretary had briefed the Board on the continuing obligations under the Listing Rules as well as periodic updatems on the listing manual (the "**Listing Manual**") of the SGX-ST, where necessary.

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.

<u>Provision 1.3</u>

Internal Guidelines on 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 KMP;

- 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 of the SGX-ST.

CORPORATE GOVERNANCE STATEMENT

Provision 1.4

Delegation of Authority to Board Committees

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.

Provision 1.5

Meetings of Board and Board Committees

Since the Company ceased to report earnings on a quarterly basis, the Board conducts at least two (2) 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 FY2021, the Board met two (2) 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 2021 is set out in the table below:

		Board Committees				
	Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Board Risk Committee**	**General Meeting**
No. of meetings held	**2**	**2**	**1**	**1**	**2**	**1**
Name of Director	**No. of meetings attended**					
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
Ito Sumardi[#]	1	1	-	-	1	1
Hadi Daryanto[#]	1	-	-	-	1	1
Wee Ewe Lay Laurence John^	1	1	1	1	1	1

** Attendance by invitation of the relevant Board Committees*

 # Appointed on 1 April 2021
*^ Retired during annual general meeting (“**AGM**”) held on 30 April 2021*

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

The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director’s contributions, after considering his or her other principal commitments. The NC also believes that it is for each Director to assess his or her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The NC does not wish to omit from consideration outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

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 FY2021 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 FY2021 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 FY2021.

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 KMP 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.

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 FY2021, the Independent Directors, Messrs Ng Cher Yan, Sim Idrus Munandar, Ito Sumardi and Hadi Daryanto, 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.

As at the end of FY2021, Mr Ng Cher Yan and Mr Sim Idrus Munandar, who were first appointed on 14 December 2007, have served on the Board for more than nine (9) years from the date of their first appointment. The NC and the Board have conducted a rigorous review of their independence and contribution to the Board to determine if they still remained independent and carry out their duties objectively. Under such rigorous review, each of Mr Ng Cher Yan and Mr Sim Idrus Munandar has confirmed that neither he nor any of his immediate family has any relationship or business dealings with a controlling shareholder, Director or KMP or their associates that would give rise to a conflict of interest or impairment of the Independent Director's independence. The NC and the Board are of the view that Mr Ng Cher Yan and Mr Sim Idrus Munandar possess valuable experience and knowledge, as well as maintained their objectivity and independence at all times in the discharge of each of their duties as an Independent Director of the Company.

Mr Ng Cher Yan's and Mr Sim Idrus Munandar's continued appointment as Independent Directors have been sought and approved in separate resolutions by (i) all shareholders; and (ii) shareholders, excluding the Directors and Chief Executive Officer ("**CEO**") at the AGM held on 30 April 2021, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST. The resolutions will remain in force until the earlier of: (i) Mr Ng Cher Yan's and/or Mr Sim Idrus Munandar's retirement or resignation as Independent Directors; or (ii) the conclusion of the third AGM of the Company following the passing of the resolutions in relation to their continued appointments.

<u>Provision 2.2</u>

Proportion of Independent Directors

As at the date of this report, the Board consists of one (1) Executive Director and six (6) Non-Executive Directors of which four (4) 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.

CORPORATE GOVERNANCE STATEMENT

Provision 2.3

Proportion of Non-Executive Directors
A majority of six (6) out of seven (7) 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 seven (7) Directors, one (1) of whom is Executive Director, two (2) of whom are Non-Executive Non-Independent Directors, and four (4) of whom are Non-Executive Independent Directors:

Executive Director

Riko Setyabudhy Handoko	CEO

Non-Executive Directors

Eka Dharmajanto Kasih	Non-Executive Chairman ("**Chairman**")
Michael Joseph Sampoerna	Non-Independent Director
Ng Cher Yan	Lead Independent Director
Sim Idrus Munandar	Independent Director
Ito Sumardi	Independent Director
Hadi Daryanto	Independent Director

The profiles of the Directors are set out on pages 12 to 15 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.

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 FY2021, 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 KMP. Thereafter, the Chairman of such meeting will provide feedback to the Board and/or Chairman of the Company as appropriate.

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 FY2021.

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 FY2021, 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.

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;

(b) identifying and nominating candidates to fill Board vacancies as they occur;

(c) request nominated candidates 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) send the newly-appointed Director a formal appointment letter which clearly sets out his or her roles and responsibilities, authority, and the Board's expectations in respect of his or 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 Non-Executive Directors (in accordance with Rules 406(3)(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;

(g) develops the performance evaluation framework for the Board, the Board Committees and individual Directors and propose objective performance criteria for the Board, the Board Committees and individual Directors;

(h) recommend that the Board removes or reappoints a Non-Executive Director at the end of his or her term, and recommend the Directors to be re-elected 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 or her ability to continue contributing to the Board;

(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 or her duties as a Director;

(j) review and ensure that there is a clear division of responsibilities between the Chairman and CEO of the Company in place;

(k) review the Board with its succession plans for the Board Chairman, Directors, CEO and KMPs of the Company;

(l) 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; and

(m) 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).

CORPORATE GOVERNANCE STATEMENT

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 Independent Directors, and one (1) of whom is the Lead Independent Director:

Sim Idrus Munandar	Chairman
Ng Cher Yan	Member
Ito Sumardi	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.

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.

In addition, effective 1 January 2019, all Directors 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 Mr Riko Setyabudhy Handoko, Mr Ng Cher Yan and Mr Hadi Daryanto, who will retire pursuant to Article 94 of the Constitution of the Company and/or Rule 720(5) of the Listing Manual of the SGX-ST; Mr Ng Cher Yan will, upon re-election as a Director of the Company, continue to serve as the Lead Independent Director, and remain as the Chairman of the AC and a member of the NC, RC and

BRC respectively and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Hadi Daryanto will, upon re-election as a Director of the Company, continue to serve as an Independent Director, and remain as a member of the AC and BRC respectively and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of SGX-ST.

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.

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:

Name of Director	**Riko Setyabudhy Handoko**	**Ng Cher Yan**	**Hadi Daryanto**
Date of Appointment	27 June 2016	14 December 2007	1 April 2021
Date of last re-appointment (if applicable)	26 April 2019	26 April 2019	30 April 2021
Age	49	63	64
Country of principal residence	Indonesia	Singapore	Indonesia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Riko Setyabudhy Handoko as an Executive Director and CEO 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 Ng Cher Yan 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	Executive. Mr Riko Setyabudhy Handoko will be responsible for the Group's overall management, including overseeing the Group's day-to-day operation, steering the direction and growth of the Group's business as directed by the Board.	Non-Executive.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Executive Director • Chief Executive Officer • Board Risk Committee (Member)	• Lead Independent Director • Audit Committee (Chairman) • Nominating Committee (Member) • Remuneration Committee (Member) • Board Risk Committee (Member)	• Non-Executive and Independent Director • Audit Committee (member) • Board Risk Committee (member)
Professional qualifications	* Master of Business Administration from the INSEAD, France and Singapore	• Bachelor of Accountancy degree from National University	* Bachelor Degree of Forest Management

CORPORATE GOVERNANCE STATEMENT

Name of Director	Riko Setyabudhy Handoko	Ng Cher Yan	Hadi Daryanto
	* Bachelor of Economics from the Trisakti University, Indonesia.	of Singapore • Passed professional year for Chartered Accountants, Australia. • Fellow member of the Institute of Singapore Chartered Accountants • Member of the Institute of Chartered Accountants Australia and New Zealand.	* 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	2016 to Now: Samko Timber Limited (Executive Director and CEO) 2015 to 2016: SK Corporation (Director and CEO) 2015 to 2016: Taiwan Scott Paper Corporation (Director and CEO) 2014 to 2016: Kimberly Clark International, Taiwan (Managing Director) 2011 to 2014: Kimberly Clark Professional, China and India (Managing Director) 2009 to 2015: KC Hygiene India (Director)	1990 to Present: Chartered Accountant in PLUS LLP (formerly known as CY NG & CO)	2009 to 2015: Chief of Commissioner Assembly S.O.E Perum Perhutani 2010 to 2015: Secretary General of Ministry of Forestry 2011 to 2012: Member task force Reducing Emissions from Deforestation and Forest Degradation (President Decree No.19/2010 and 25/2011) 2015: Director General of Social Forestry and Partnership, Ministry of Environment and Forestry 2016 to 2020: Member Board of Trustee RECOFTC /The Center for People and Forest, Bangkok 2017 to 2018: Pension and as Senior Advisor to Minister of Environment and Forestry 2018: Social Forestry Public Policy Consultant at Partnership Government Reform, Indonesia – Norway
Shareholding interest in the listed issuer and its subsidiaries	25,589,458 shares; 12,467,532 shares Awards; 12,467,532 unissued ordinary shares	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial	None	None	None

CORPORATE GOVERNANCE STATEMENT

<table>
<tr><th>Name of Director</th><th>Riko Setyabudhy Handoko</th><th>Ng Cher Yan</th><th>Hadi Daryanto</th></tr>
<tr><td>shareholder of the listed issuer or of any of its principal subsidiaries</td><td></td><td></td><td></td></tr>
<tr><td>Conflict of interest (including any competing business)</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer</td><td>Yes</td><td>Yes</td><td>Yes</td></tr>
<tr><td colspan="4">Other Principal Commitments* including Directorships#
* "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)</td></tr>
<tr><td>Past (for the last 5 years)</td><td>Nil</td><td>1. Bull Will Co Ltd
2. Mermaid Maritime Public Co Ltd
3. Mermaid Drilling (Singapore) Pte Ltd
4. Mermaid Offshore Services Pte Ltd
5. MTR-1 (Singapore) Pte Ltd
6. MTR-3 (Singapore) Pte Ltd
7. MTR-4 (Singapore) Pte Ltd</td><td>Member of Board of Trustee RECOFTC - The Center for People and Forest in Bangkok, Thailand (an International NGO)</td></tr>
<tr><td>Present</td><td>Nil</td><td>Vicplas International Ltd
MoneyMax Financial Services Ltd
Serial System Ltd
PLUS LLP</td><td>None</td></tr>
<tr><td>(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?</td><td>No</td><td>No</td><td>No</td></tr>
<tr><td>(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?</td><td>No</td><td>No</td><td>No</td></tr>
</table>

CORPORATE GOVERNANCE STATEMENT

Name of Director	Riko Setyabudhy Handoko	Ng Cher Yan	Hadi Daryanto
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(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
(f) Whether at any time during the last 10 years, judgment 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	In February 2017, a civil suit has been initiated by the Securities and Futures Investors Protection Centre of Taiwan (SFIPC) against amongst others, Bull Will Co., Ltd ("**Bull Will**"), its directors, independent directors, supervisors, accounting supervisors, legal shareholder and external auditors. In June 2021, the suit was dismissed by the court on the basis that they are without merit. SFIPC subsequent filed and appeal. The civil suit is currently in progress. Mr Ng Cher Yan was a Non-Executive Director of Bull Will from June 2015 to April 2020.	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	On 7 July 2000, a Summon was issued against him as a nominee director of SFL-Boiler Installation Pte Ltd ("**SFL**") relating to a failure by SFL to file annual return within the requisite period. Resolved upon payment of a fine.	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent	No	No	No

CORPORATE GOVERNANCE STATEMENT

Name of Director	Riko Setyabudhy Handoko	Ng Cher Yan	Hadi Daryanto
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?			
(i) Whether he has ever been the subject of any order, judgment 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 :—			
(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
(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
(v) 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?	No	No	No

CORPORATE GOVERNANCE STATEMENT

Alternate Director

During FY2021, 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 FY2021, the NC has reviewed and confirmed the independence of the Independent Directors of the Company, Messrs Ng Cher Yan, Sim Idrus Munandar, Hadi Daryanto and Ito Sumardi, 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.

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 FY2021.

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.

The profile and relevant Information of the members of the Board are set out in the "Board of Directors" section of the Annual Report. In addition, information of the interests of the Directors who held office at the end of the financial year in shares, debentures and share options/awards in the Company and its related corporations (other than the wholly-owned subsidiaries) are 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 FY2021, 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.

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.

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Based on the summary of findings of the evaluation for FY2021 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 FY2021.

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 ember 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 FY2021 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 FY2021.

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.

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 FY2021 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 FY2021.

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 FY2021, 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:

- Feedback received from the Directors and acted on their comments accordingly; and
- 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.

(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 KMP 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 KMP;

(d) recommend proposed Non-Executive Directors' fees for shareholders' approval;

(e) monitor the level and structure of remuneration for KMP 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;

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(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;

(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 KMP 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 KMP, to ensure that Directors are adequately but not excessively remunerated.

<u>Provision 6.2</u>

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 Independent Directors:

Ito Sumardi	Chairman
Ng Cher Yan	Member
Sim Idrus Munandar	Member

<u>Provision 6.3</u>

Remuneration Packages and Framework

The RC reviews and recommends to the Board the remuneration packages or policies for the Executive Director/CEO and the KMP based on the performance of the Group, the individual Director and the KMP. 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 KMP, to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance.

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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.

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 FY2021.

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 KMP

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 KMP. It also motivates the Directors to provide good stewardship of the company and KMP 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 KMP.

The remuneration structure of the Executive Director and KMP 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 KMP, the RC is of the view that the remuneration packages of the Executive Director and KMP, 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 KMP 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 KMP) is reviewed periodically by the RC and the Board.

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.

CORPORATE GOVERNANCE STATEMENT

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.

Details of the Samko PSP are disclosed in the Directors' Statements on pages 69 to 70 and in the notes to the financial statement on pages 149 to 150.

Claw-back Provisions

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from the CEO and KMP 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.

<u>Provision 7.2</u>

Remuneration of Non-Executive Directors

The Board comprises of six (6) Non-Executive Directors, two (2) of whom are Non-Executive Non-Independent Directors and four (4) of whom are Non-Executive Independent Directors. 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 Non-Executive 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 Non-Executive 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 FY2021, the RC had met to review, determine, and recommend to the Board, the payment of Directors' fees for the financial year ending 31 December 2022, payable quarterly in arrears, which are subject to the shareholders' approval at the forthcoming AGM of the Company.

<u>Provision 7.3</u>

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 KMP. The remuneration packages take into account the performance of the Group, the individual Directors and individual KMP.

The Company advocates a performance-based remuneration system for Executive Director and KMP 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.

Provision 8.1

Remuneration Criteria

The compensation packages for employees including the Executive Director/CEO and the KMP 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 KMP 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 KMP) 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 FY2021. 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 KMP are described above, and the level and mix of remuneration is disclosed in the table below.

Disclosure on Fees and Remuneration of Directors

A breakdown of the level and mix of the remuneration payable to each individual Director for FY2021 are set out below:

Name of Director	Salary[1] (%)	Bonus[1] and/or profit sharing (%)	Directors' fee (%)	Allowances and other benefits (%)	Total (%)
Present Director					
S$1,000,000 to below S$1,250,000					
Riko Setyabudhy Handoko [2]	43.8	36	0	20.2	100%
Below S$250,000					
Michael Joseph Sampoerna	0	0	100	0	100%
Eka Dharmajanto Kasih	0	0	100	0	100%
Ng Cher Yan	0	0	100	0	100%
Sim Idrus Munandar	0	0	100	0	100%
Ito Sumardi	77.3	0	21.9	0.8	100%
Hadi Daryanto	0	0	100	0	100%

Note:
[1] The salary and bonus amounts shown are inclusive of Singapore Central Provident Fund ("**CPF**") contributions.
[2] Mr Riko Setyabudhy Handoko is also the CEO of the Company.

The aggregate remuneration paid to the Directors is set out on page 156 of this Annual Report.

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Disclosure on Remuneration of KMP

A breakdown of the ranges of gross remuneration paid in FY2021 to the Group's KMP (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 KMP	Salary[1] (%)	Allowances and other benefits (%)	Total (%)
S$250,000 to below S$500,000			
Edward Tombokan	72.2	27.8	100%
Rudiyanto Tan	71.3	28.7	100%
Johanes Ibrahim Tjendana	70.6	29.4	100%
Andrew Wardoyo	70.1	29.9	100%
Fredson Kotamena	70.9	29.1	100%
Below S$250,000			
Hendry Susanto	76.8	23.2	100%
Arief Zakaria	77.5	22.5	100%
Alvin Puspowidjono	70.7	29.3	100%

Note:

(1) The salary and bonus amounts shown are inclusive of Singapore CPF contributions.

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

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) KMP (who are not Directors or the CEO).

The total remuneration paid to the top eight (8) KMP is set out on page 54 of this Annual Report.

All Directors and KMP are remunerated on an earned basis and there were no termination, retirement and post-employment benefits granted during FY2021.
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 8.2

Disclosure on Remuneration of Employee related to Directors/CEO/Substantial Shareholders

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 FY2021.

Provision 8.3

Details of Employee Share Scheme

No share awards under Samko PSP was granted in FY2021.

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.

(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 six (6) members, four (4) of whom, including the BRC Chairman, are Non-Executive Independent Directors:

Sim Idrus Munandar	Chairman
Eka Dharmajanto Kasih	Member
Riko Setyabudhy Handoko	Member

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Ng Cher Yan	Member
Ito Sumardi	Member
Hadi Daryanto	Member

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

(a) oversee and review the adequacy and effectiveness of the Company's risk management function;

(b) overseeing Management in establishing the risk management framework of the Company;

(c) regularly review the risk management framework; and

(d) undertake and perform other responsibilities and reporting of the Company.

The BRC met two (2) times during FY2021 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 KMP

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 annually. The assessment considered issues dealt with in reports reviewed by the Board during FY2021 together with any additional information necessary to ensure that the Board has considered all significant aspects of risks and internal controls for the Group for FY2021.

The Board has received written assurance from the CEO and CFO that, as at 31 December 2021, 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 KMP 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 2021 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 157 to 165.

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 IPT 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).

Apart from the duties listed above, the AC will:

- 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

- Ensure that the appropriate follow-up actions are taken.

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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 objectively 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 30 April 2021 until the conclusion of the forthcoming AGM of the Company. The aggregate amount of audit fees paid to MS in FY2021 was S$135,000. There were no non-audit fees paid to MS in FY2021.

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 2022, 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.

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.

<u>Provisions 10.2 and 10.3</u>

Audit Committee Composition

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

Ng Cher Yan	Chairman
Sim Idrus Munandar	Member
Hadi Daryanto	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 Hadi Daryanto's expertise are in forestry plantation and forestry industry. All AC members have many years of experience in accounting and/or finance related expertise and experience.

As the Lead Independent Director and the AC Chairman, Mr Ng Cher Yan's scope of works also include leading the AC in its' role in reviewing IPT 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.

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' 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

CORPORATE GOVERNANCE STATEMENT

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 at least two (2) times to review the audit plan/report, the audit findings, the reports on IPT, 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.

The AC met with the external auditors and Head of Internal Audit, without the presence of the Company's Management at least once year. 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 FY2021, 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 IPT 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 external auditors and Head of Internal Audit 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 37 of this Annual Report.

(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.

Alternative Arrangements for AGM for FY2021

Due to the current COVID-19 safe management measures implemented in Singapore, pursuant to, *inter alia*, the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) (Amendment) Order 2020 (the "**Order**") which was gazetted on 13 April 2020, and the announcement by the Ministry of Law ("**MinLaw**") on 6 April 2021 that MinLaw, in consultation with relevant Ministries and agencies, had further extended the duration of legislation that enables entities to hold meetings via electronic means, beyond 30 June 2021, the Company is allowed to adopt certain alternative arrangements in holding its AGM for FY2021 (the "**Alternative Meeting Arrangements**"), including:

(i) The forthcoming AGM will be held via electronic means;

(ii) Participation in the forthcoming AGM electronically by shareholders via live audio-visual webcast or live audio-only stream;

(iii) Appointment of the Chairman of the forthcoming AGM by shareholders as their proxy to vote on their behalf at the forthcoming AGM if such shareholders wish to exercise their voting rights at the forthcoming AGM; and

(iv) Submission of questions on matters relating to the agenda of the forthcoming AGM to the Company in advance and there is no live question and answer session at the forthcoming AGM.

In addition, the Company is not required to distribute physical copies of the Annual Report for FY2021, the notice of the forthcoming AGM and related meeting documents. Such documents are available for download from the Company's corporate website and the SGX-ST's website.

Further details about the Alternative Meeting Arrangements for the forthcoming AGM are set out and explained in the notice of the forthcoming AGM and related announcements, copies of which can be downloaded from the Company's corporate website or the SGX-ST's website.

The Company's previous AGM held on 30 April 2021 was also held via electronics means with similar Alternative Meeting Arrangements amid the COVID-19 pandemic.

In light of the Alternative Meeting Arrangements during the COVID-19 pandemic, the Company's practices on shareholders rights and conduct of general meetings have been tailored to be in compliance with acceptable practices during this period. However, the Company will implement the following measures as described below as its usual practices on shareholder rights and conduct of general meetings when the time is appropriate again.

CORPORATE GOVERNANCE STATEMENT

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.

All general meetings are conducted physically and all registered shareholders attending such meetings are entitled to vote in accordance with established voting rules and procedures which are explained during the general meetings. Rules governing general meetings are also explained during the general meetings.

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.

The Company strongly encourages shareholder participation during the AGMs and/or EGMs, if any. Shareholders are able to proactively engage the Board and Management on the Group's business activities, financial performance and other business-related matters. Shareholders are invited to put forth any questions they may have on the motions to be debated and decided upon.

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.

Shareholders who are present in person or represented by proxies will be entitled to one 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.

Resolutions are passed through a process of voting by poll and shareholders are entitled to vote in accordance with established voting rules and procedures. Shareholders are informed of the voting procedures prior to the commencement of voting by poll. The poll results in favour and against for each resolution put forth are presented during the AGMs and/or EGMs.

Provision 11.3

Interaction with Shareholders

At general meetings, shareholders are given the opportunity to raise questions to the Directors and 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.

Provision 11.4

Absentia Voting

Voting in absentia, which is currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of shareholders through the web are not compromised, and legislative changes are effected to recognise remote voting.

The Company has decided, for the time being, not to implement voting in absentia through mail, electronic mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

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 and SGXNet 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.

The Board has not declared or recommended dividends for FY2021, 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.

CORPORATE GOVERNANCE STATEMENT

Provision 12.1

Communication 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.

The Company believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible. The Company's officers promptly communicate with its shareholders and analysts whenever appropriate and attend to their queries or concerns. The Company's officers also manage the dissemination of corporate information to the media, public, institutional investors and public shareholders, and act as a liaison point for such entities and parties.

The Company believes in maintaining regular dialogue with shareholders and it encourages shareholders' participation at general meetings and analyst briefings which also act as a platform to solicit and understand the views of shareholders and to address shareholders' concerns.

Provisions 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.

The Company will assess the need to have such a policy as and when there is a substantial increase in such correspondence.

Disclosures of Information

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes and challenges in the Group's business which could have a material impact on the share price or value.

The Board understands its responsibility and provides to the shareholders on a timely basis a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports, and reports to regulators (if required). The Board also ensures full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Rules, including the release of the Group's half year and full year financial statements results announcements. Strong emphasis is placed on removing technical jargon and using simple language for clarity. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable.

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.

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 Board recognises that it is accountable to shareholders for the Group's performance. The Board believes in transparency and strives towards timeliness in the dissemination of material information to the Company's shareholders and the public on a timely and non-selective basis. Pertinent information will be disclosed to shareholders through the SGXNet and press releases (if any) in a fair and equitable manner.

The Company does not practice selective disclosure of material information. The Group makes all necessary disclosures to the public via SGXNet. The Group values dialogue with its shareholders and believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible.

All material information relating to the Group's and Company's performance and developments are disclosed in a timely, accurate and comprehensive manner through SGXNet. The Company's corporate website also contains salient information relating to the Group, including details about its current property development project as well as the contact details for stakeholders to contact the Group's corporate headquarters in Singapore. The Company does not practice selective disclosure of material information.

(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

Sustainability Reporting

The Board believes that it is integral for the Group's success to have long-term growth and development in a sustainable manner and considers sustainability issues as part of its strategic formulation.

The Company upholds high standards of responsible, sustainable and socially aware business practices and is committed to incorporating sustainability in its corporate culture and improving the economic, environmental and social wellbeing of our stakeholders. The Company balances economic viability with sustainability and social progress for future generations. The Company is also cognisant of the challenges caused by the COVID-19 pandemic and remain committed to ensuring the safety of its guests and employees.

Detailed approach to the stakeholder engagement and materiality assessment (including commitments, key areas of focus and activities) will be disclosed in the 2021 Sustainability Report, which will be issued by 31 May 2022 and will also be published on the Company's corporate website and made available on the SGXNet.

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 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.

The aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual of the SGX-ST) for FY2021 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, holds more than 30% of the shareholding interests (direct and indirect)	7,207	-
PT Bank Sahabat Sampoerna *- Finance expense*		7,847	-

(VIII) MATERIAL CONTRACTS

Save as disclosed in the above IPT 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 FY2021 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 2021 and the statement of financial position of the Company as at 31 December 2021.

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 2021 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	*Non-Independent and Non-Executive Chairman*
Riko Setyabudhy Handoko	*Executive Director and Chief Executive Officer*
Michael Joseph Sampoerna	*Non-Independent and Non-Executive Director*
Ng Cher Yan	*Lead Independent Director and Non-Executive Director*
Sim Idrus Munandar	*Independent Director and Non-Executive Director*
Ito Sumardi	*Independent Director and Non-Executive Director (Appointed on 1 April 2021)*
Hadi Daryanto	*Independent Director and Non-Executive Director (Appointed on 1 April 2021)*

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.

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 1967 (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:

	Direct interest		Deemed interest	
Name of directors	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	14,722,178	25,589,458	-	-

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2022.

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
The Company				
2019 Awards				
Riko Setyabudhy Handoko	12,467,532	-	-	12,467,532
2018 Awards				
Riko Setyabudhy Handoko	10,867,280	-	(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 date of appointment, if later, 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.

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
Hadi Daryanto

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, 1967, 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;

DIRECTORS' STATEMENT

5 Audit Committee (cont'd)

The duties of the AC, amongst other things, include: (cont'd)

(j) review interested persons transactions in accordance with the requirements of the SGX-ST Listing Manual; and

(k) undertake such other functions and duties as may be agreed to by the AC and the Board.

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

On behalf of the Board of Directors,

…………………………………	…………………………………
Eka Dharmajanto Kasih	Riko Setyabudhy Handoko
Non-Executive Chairman	Executive Director and Chief Executive Officer

Singapore
14 April 2022

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 2021, 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 1967 (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 2021 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

(cont'd)

Key Audit Matters (cont'd)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of biological assets
(Refer to Note 15 to the financial statements)

As at 31 December 2021, the Group's biological assets owned through subsidiaries in Indonesia amounted to approximately Rp434,862 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.</td><td>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.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

(cont'd)

Key Audit Matters (cont'd)

Key Audit Matter	**How our audit addressed the key audit matter**
Post-employment benefits liabilities (Refer to 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 2021, the Group's post-employment benefits liabilities amounted to approximately Rp327,914 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.

INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

(cont'd)

Key Audit Matters (cont'd)

Key Audit Matter	**How our audit addressed the key audit matter**
Post-employment benefits liabilities (cont'd)	**Our response** (cont'd) 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.

(cont'd)

Key Audit Matters (cont'd)

Key Audit Matter	**How our audit addressed the key audit matter**
Impairment assessment on investment in a subsidiary (Refer to Note 14 to the financial statements) As at 31 December 2021, 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; • 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

(cont'd)

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
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.

(cont'd)

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
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 2021, the Group's current liabilities exceeded its current assets by approximately Rp139,178 million. As at that date, the Group's loans and borrowings amounted to approximately Rp1,517,398 million of which approximately Rp1,013,325 million were short-term bank loans which are due within one year from 31 December 2021. 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 2021 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 2021, 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 2021 to be appropriate.

INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

(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.

(cont'd)

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.

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.

INDEPENDENT AUDITOR'S REPORT

to the members of Samko Timber Limited

(cont'd)

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

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.

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 corporations 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
14 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	Group 2021 Rp'million	Group 2020 Rp'million
Revenue	5	3,943,162	3,194,734
Cost of sales		(3,216,870)	(2,709,897)
Gross profit		726,292	484,837
Other items of income			
Finance income	6	490	298
Other income	7	48,644	136,425
Other items of expense			
Selling expenses		(268,478)	(162,340)
General and administrative expenses		(327,490)	(325,661)
Recovery of/(Allowance for) impairment loss of financial assets, net	20	192	(346)
Finance expenses	8	(123,253)	(110,281)
Other expenses	9	(39,290)	(40,757)
Profit/(Loss) before income tax	10	17,107	(17,825)
Income tax	11	(20,685)	(19,076)
Loss for the year		(3,578)	(36,901)
Other comprehensive loss, net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Net actuarial loss on post-employment benefits	29	(13,105)	(18,810)
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation		(3,210)	(16,356)
Other comprehensive loss for the year		(16,315)	(35,166)
Total comprehensive loss for the year		(19,893)	(72,067)
(Loss)/Profit for the year attributable to:			
Owners of the Company		(11,302)	(91,997)
Non-controlling interests		7,724	55,096
		(3,578)	(36,901)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(27,667)	(127,080)
Non-controlling interests		7,774	55,013
		(19,893)	(72,067)
Loss per share (in Rupiah)			
Basic	12	(5)	(39)
Diluted	12	(5)	(39)

The accompany notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group 2021 Rp'million	Group 2020 Rp'million	Company 2021 Rp'million	Company 2020 Rp'million
Non-current assets					
Property, plant and equipment	13	530,318	521,923	6	8
Investment in subsidiaries	14	-	-	827,279	827,279
Biological assets	15	434,862	414,724	-	-
Land use rights	16	63,721	70,268	-	-
Deferred tax assets	17	119,177	111,129	-	-
Other non-current assets	18	92,522	11,500	105	-
Right-of-use assets	32	86,701	103,229	-	-
		1,327,301	1,232,773	827,390	827,287
Current assets					
Inventories	19	843,045	876,641	-	-
Trade and other receivables	20	528,259	463,278	26,250	113,817
Prepaid operating expenses	21	77,997	93,999	501	505
Advances to suppliers	22	72,762	65,425	13	-
Derivative financial instruments	35(b)	2,509	5,412	-	-
Restricted deposits	23	21	6,196	-	-
Cash at banks and on hand	24	39,586	30,322	478	770
		1,564,179	1,541,273	27,242	115,092
Current liabilities					
Trade and other payables	25	564,716	451,855	19,560	59,273
Other liabilities	26	47,901	61,416	2,462	2,631
Advances from customers	27	5,369	4,361	-	757
Loans and borrowings	28	1,044,526	1,238,979	-	-
Lease liabilities	32	31,105	58,387	-	-
Income tax payable		9,740	8,409	-	-
		1,703,357	1,823,407	22,022	62,661
Net current (liabilities)/assets		(139,178)	(282,134)	5,220	52,431
Non-current liabilities					
Other liabilities	26	-	-	258,597	304,159
Loans and borrowings	28	472,872	196,551	-	-
Post-employment benefits	29	296,732	296,521	-	-
Lease liabilities	32	1,517	32,063	-	-
Deferred tax liabilities	17	53,547	43,508	-	-
		824,668	568,643	258,597	304,159
Net assets		363,455	381,996	574,013	575,559
Equity attributable to owners of the Company					
Share capital	30	542,889	539,028	542,889	539,028
(Accumulated losses)/Retained earnings		(833,121)	(808,664)	19,557	19,488
Other reserves	31(a)	335,405	341,124	11,567	17,043
		45,173	71,488	574,013	575,559
Non-controlling interests	31(b)	318,282	310,508	-	-
Total Equity		363,455	381,996	574,013	575,559

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	← 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
Group										
At 1 January 2021	539,028	(808,664)	341,124	309,050	(3,037)	5,148	29,963	71,488	310,508	381,996
(Loss)/Profit for the year	-	(11,302)	-	-	-	-	-	(11,302)	7,724	(3,578)
Other comprehensive (loss)/income for the year, net of tax:										
Net actuarial (loss)/gain on post-employment benefits	-	(13,155)	-	-	-	-	-	(13,155)	50	(13,105)
Exchange differences on translation	-	-	(3,210)	-	-	-	(3,210)	(3,210)	-	(3,210)
Other comprehensive (loss)/income for the year, net of tax	-	(13,155)	(3,210)	-	-	-	(3,210)	(16,365)	50	(16,315)
Total comprehensive (loss)/income for the year	-	(24,457)	(3,210)	-	-	-	(3,210)	(27,667)	7,774	(19,893)
Issuance of shares under performance shares plan	3,861	-	(3,861)	-	-	(3,861)	-	-	-	-
Grant of equity-settled performance share plan	-	-	1,352	-	-	1,352	-	1,352	-	1,352
At 31 December 2021	542,889	(833,121)	335,405	309,050	(3,037)	2,639	26,753	45,173	318,282	363,455

The accompany notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

(cont'd)

	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 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	Total equity Rp'million
Group										
At 1 January 2020	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 (loss) 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
At 31 December 2020	539,028	(808,664)	341,124	309,050	(3,037)	5,148	29,963	71,488	310,508	381,996

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Group	
	2021 Rp'million	2020 Rp'million
Cash from Operating Activities		
Profit/(loss) before income tax	17,107	(17,825)
Adjustments for:		
Interest expense on loans and borrowings	111,747	97,944
Depreciation of property, plant and equipment	98,431	108,033
Post-employment benefits expense	48,086	45,598
Inventories written-down	22,837	79
Depreciation of right-of-use assets	16,758	16,198
Net foreign exchange loss/(gain)	9,306	(15,255)
Amortisation of land use rights	7,548	4,395
Interest expense on lease liabilities	3,110	5,247
Equity-settled performance share plan	1,352	1,247
Property, plant and equipment written-off	380	-
(Recovery of)/impairment losses of financial assets, net	(192)	346
Interest income	(490)	(298)
Net gain on disposal of property, plant and equipment	(1,708)	(1,106)
Net gain on change in fair value of biological assets	(17,811)	(127,979)
Bad debts written off	-	3,845
Allowance for advances to suppliers	-	744
Gain on disposal of land use rights	-	(931)
Operating cash flow before changes in working capital	316,461	120,282
Changes in working capital		
Trade and other receivables	(47,470)	(3,206)
Inventories	10,759	117,740
Prepaid operating expenses	31,438	10,839
Advances to suppliers	(24,677)	5,635
Trade and other payables	101,030	(71,162)
Other liabilities	(9,827)	(1,595)
Advances from customers	1,008	(3,774)
Other non-current assets	(23,392)	(2,032)
Cash flows generated from operations	355,330	172,727
Income taxes paid	(49,226)	(24,535)
Post-employment benefits paid	(59,917)	(29,644)
Net cash flows generated from operating activities	246,187	118,548
Cash Flows from Investing Activities		
Additions of property, plant and equipment (Note A)	(139,778)	(51,128)
Additions of biological assets	(2,327)	(3,692)
Additions of land use rights	(1,001)	(4,511)
Proceeds from disposal of property, plant and equipment	1,779	1,775
Interest received	490	298
Proceeds from disposal of land use rights	-	935
Net cash flows used in investing activities	(140,837)	(56,323)

The accompany notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

(cont'd)

	Group 2021 Rp'million	Group 2020 Rp'million
Cash Flows from Financing Activities		
Proceeds from loans and borrowings	5,181,124	4,771,911
Repayments of loans and borrowings	(5,119,732)	(4,522,122)
Payment of lease liabilities –principal portion	(59,476)	(72,120)
Interest paid for loans and borrowings	(101,337)	(91,321)
Interest paid for lease liabilities	(3,110)	(5,247)
Withdrawal of restricted deposits	6,229	139
Repayment of loan from a third party	-	(98,083)
Repayment of loan from a customer	-	(10,000)
Payment of loan facility fee	-	(18,620)
Net cash flows used in financing activities	(96,302)	(45,463)
Net increase in cash and cash equivalents	9,048	16,762
Cash and cash equivalents at 1 January	30,322	13,474
Effect of exchange rate changes on cash and cash equivalents	216	86
Cash and cash equivalents at 31 December (Note 24)	39,586	30,322

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

	2021 Rp'million	2020 Rp'million
Additions of property, plant and equipment (Note 13)	105,509	83,788
Net decrease/(increase) in advances for purchase of assets as additions of property, plant and equipment	32,315	(32,660)
Additions via right-of-use assets	1,954	-
Cash payment per the consolidated statement of cash flows	139,778	51,128

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 2021, 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
Amendments to SFRS(I) 7, SFRS(I) 9, SFRS(I) 16 and SFRS(I) 1-39 *Interest Rate Benchmark Reform – Phase 2*

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 2021

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (con'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-Related Rent Concessions beyond 30 June 2021*	1 April 2021
Amendments to SFRS(I) 3 *Business Combinations - Reference to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-16 *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37 *Provisions - Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to SFRS(I) 1-1 *Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements*	1 January 2023
Amendments to SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Investment in Associates and joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors of the Company do 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, 1967 and SFRS(I). The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

<u>Going concern assumption</u>

As at 31 December 2021, the Group's current liabilities exceeded its current assets by Rp139,178 (2020: Rp282,134 million). As at that date, the Group's loans and borrowings amounted to Rp1,517,398 (2020: Rp1,435,530 million), of which Rp1,013,325 (2020: Rp1,192,501 million) were short-term bank loans which are due within one year from 31 December 2021 as disclosed in Note 28.

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 2021 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 2021, the Group has at its disposal unused revolving loan and overdraft facilities amounting to Rp1,658,422 million (2020: Rp1,271,918 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, the Group is expanding its operations into new locations in Indonesia to generate future additional revenue and operating cash flows for the Group, with the completion of the Group's investment in PT SGM during the previous financial year as disclosed in Note 33.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 Significant Accounting Policies (con'd)

(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.

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.

3 Significant Accounting Policies (cont'd)

(b) Group Accounting (cont'd)

Subsidiaries (cont'd)

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.

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.

3 Significant Accounting Policies (cont'd)

(b) Group Accounting (cont'd)

Subsidiaries (cont'd)

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.

(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 delievered to the customer and all criteria for acceptance have been satisfied with no variable consideration involved in the estimation of the transaction price.

3 Significant Accounting Policies (cont'd)

(d) Revenue Recognition (cont'd)

<u>Interest income</u>

Interest income is recognised using the effective interest method.

<u>Dividend income</u>

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

<u>Functional and presentation currency</u>

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.

<u>Transactions and balances</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 Significant Accounting Policies (cont'd)

(f) Foreign Currencies (cont'd)

Transactions and balances (cont'd)

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.

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.

3 Significant Accounting Policies (cont'd)

(f) Foreign Currencies (cont'd)

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

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 2021

3 Significant Accounting Policies (cont'd)

(h) 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.

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 2021

3 Significant Accounting Policies (cont'd)

(i) 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.

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.

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.

3 Significant Accounting Policies (cont'd)

(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.

(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

<u>Classification</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 Significant Accounting Policies (cont'd)

(p) Financial Assets (cont'd)

Classification (cont'd)

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).

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

AC

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.

For debt investments at amortised cost that will be affected by the interest rate benchmark reform, changes to the contractual cash flows that are required by the interest rate benchmark reforms are effected by adjusting the effective interest rate of the debt investments, without recognizing any immediate gains or losses.

3 Significant Accounting Policies (cont'd)

(p) Financial Assets (cont'd)

Subsequent measurement (cont'd)

i. Debt instruments (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 Significant Accounting Policies (cont'd)

(p) Financial Assets (cont'd)

Impairment (cont'd)

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.

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).

3 Significant Accounting Policies (cont'd)

(p) Financial Assets (cont'd)

Impairment (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 Significant Accounting Policies (cont'd)

(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.

For the Group's borrowings that will be affected by the interest rate benchmark reform, changes to the contractual cash flows that are required by the interest rate benchmark reforms are effected by adjusting the effective interest rate of the borrowings, without recognising any immediate gains or losses.

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.

3 Significant Accounting Policies (cont'd)

(s) Leases (cont'd)

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

3 Significant Accounting Policies (cont'd)

(s) Leases (cont'd)

When the Group is a lessee (cont'd)

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.

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.

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.

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 2021

3 Significant Accounting Policies (cont'd)

(u) Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit and loss.

Derivatives are presented as non-current assets or non-current liabilities if the remaining maturities exceed twelve months, and they are not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

(v) 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.

(w) Share Capital

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

(x) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(y) 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.

3 Significant Accounting Policies (cont'd)

(z) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 were no critical judgements and significant assumptions made in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

(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.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(b) Key sources of Estimation Uncertainty (cont'd)

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.

5 Revenue from Contracts with Customers

	Group	
	2021 Rp'million	2020 Rp'million
Principal geographical markets		
North America	1,327,385	510,784
Indonesia	1,239,603	1,396,728
North Asia	901,584	784,317
Malaysia	359,119	297,035
Singapore	85,917	141,422
South East Asia	23,276	30,488
Others	6,278	33,960
Sales of goods at point in time	3,943,162	3,194,734

6 Finance Income

Finance income mainly relates to interest income.

7 Other Income

	Group 2021 Rp'million	Group 2020 Rp'million
Income from insurance claim	28,596	6
Net gain on change in fair value of biological assets	17,811	127,979
Net gain on disposal of property, plant, and equipment	1,708	1,106
Gain on disposal of land use rights	-	931
Others	529	6,403
	48,644	136,425

8 Finance Expenses

	Group 2021 Rp'million	Group 2020 Rp'million
Interest expense on:		
Bank borrowings	92,061	85,145
Amortisation of loan transaction costs	11,839	6,645
Bank charges	8,396	7,090
Bank borrowings from a related party	7,847	6,154
Interest on lease liabilities	3,110	5,247
	123,253	110,281

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

9 Other Expenses

	Group 2021 Rp'million	Group 2020 Rp'million
Inventories written-off	22,837	79
Amortisation of land use rights	7,548	4,395
Net foreign exchange loss*	6,907	18,918
Property, plant and equipment written-off	380	-
Worker separation expenses	81	11,330
Bad debts written-off – trade	-	3,845
Allowance for advances to suppliers	-	744
Others	1,537	1,446
	39,290	40,757

* Included were unrealised net fair value gains on foreign exchange forward contracts amounted to Rp2,509 million (2020: Rp5,412 million), the details of which are disclosed in Note 35(b).

10 Profit/(Loss) before Income Tax

Other than as disclosed elsewhere in the financial statements, the following items have been included in arriving at profit/(loss) before income tax:

	Group 2021 Rp'million	Group 2020 Rp'million
Audit fees:		
Auditor of the Company	1,443	1,490
Other auditors	2,232	2,201
Factory overheads	1,039,502	951,498
Salaries and employee benefits*:		
Directors' fees	3,015	2,420
Salaries & bonuses	804,934	801,048
Equity-settled performance share plan	1,352	1,247
Defined contribution plan benefits	62,905	63,238
Employee other short-term benefits	3,497	3,030
Post-employment benefits	48,086	45,598
	923,789	916,581
Short-term leases expense	2,604	1,826
Depreciation of property, plant and equipment	98,431	108,033
Depreciation of right-of-use assets	16,758	16,198

* During the financial year, salaries and employee benefits allocated to cost of sales, selling expenses and general and administrative expenses amounted to Rp681,374 (2020: Rp672,550 million) and Rp242,415 (2020: Rp244,031 million), respectively.

11 Income Tax

	Group	
	2021 Rp'million	2020 Rp'million
Consolidated income statement		
Current income tax:		
Current year	6,799	3,935
Under provision in respect of previous years	10,050	3,994
	16,849	7,929
Deferred tax:		
Origination and reversal of temporary differences	3,836	11,147
Income tax expense recognised in profit or loss	20,685	19,076
Consolidated statement of comprehensive income		
Deferred tax:		
Net actuarial loss on post-employment benefits	(1,845)	(3,754)

A reconciliation between income tax and the product of accounting profit/(loss) multiplied by the applicable corporate tax rates for the financial year is as follows:

	Group	
	2021 Rp'million	2020 Rp'million
Profit/(loss) before income tax	17,107	(17,825)
Tax at domestic rates applicable in the countries where the Group operates	5,079	(3,235)
Non-deductible expenses	1,512	3,696
Income not subject to tax	(108)	(71)
Effect of partial tax exemption and tax relief	(183)	(187)
Deferred tax assets not recognised for the current year tax losses	4,335	7,521
Under provision of current income tax in respect of previous years	10,050	3,994
Utilisation of unused tax losses previously not recognised	-	(51)
Effect of change of tax rate	-	7,409
Income tax expense recognised in profit or loss	20,685	19,076

The corporate income tax applicable to the entities in Singapore is 17% (2020: 17%). The corporate income tax rate applicable to the subsidiaries in Indonesia is 22% (2020: 22%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

11 Income Tax (cont'd)

Unutilised tax losses

As at 31 December 2021, the Group has unutilised tax losses of approximately Rp246,600 million (2020: Rp219,900 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 2021, deferred tax benefits from the foregoing unutilised tax losses amounting to Rp114,900 million (2020: Rp95,200 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 Rp12,524 million (2020: Rp2,357 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 per Share

Basis loss per share are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share are calculated by dividing loss 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.

12 Loss per Share (cont'd)

The following reflects the loss and share data used in the computation of basic and diluted loss per share for the financial year:

	Group	
	2021 Rp'million	2020 Rp'million
Loss of the year attributable to owners of the Company used in computation of loss per share	(11,302)	(91,997)
	Number of ordinary shares	
Weighted average number of ordinary shares used for basic loss per share computation	2,389,911,661	2,380,414,329
Effects of dilution:		
- Samko Performance Share Plan	-*	-*
Weighted average number of ordinary shares used for diluted loss per share computation	2,389,911,661	2,380,414,329

* Diluted (loss) per share as at 31 December 2021 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 2021

13 Property, Plant and Equipment

	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 Buildings Rp'million	Construction in progress Machinery Rp'million	Total Rp'million
Group								
Cost								
At 1 January 2021	362,028	1,336,448	53,403	52,496	170,477	50,695	21,652	2,047,199
Additions	672	1,094	61	15	1,411	89,142	13,114	105,509
Disposals	(1,813)	(6,144)	(68)	(202)	(1,041)	-	-	(9,268)
Reclassifications	493	7,862	-	1,014	68	(493)	(6,079)	2,865
Translation reserve	-	-	-	(5)	24	-	-	19
At 31 December 2021	361,380	1,339,260	53,396	53,318	170,939	139,344	28,687	2,146,324
Accumulated depreciation and impairment								
At 1 January 2021	196,426	1,102,527	42,061	51,234	133,028	-	-	1,525,276
Depreciation charge for the year	15,578	56,189	2,576	1,497	22,591	-	-	98,431
Disposals	(1,647)	(5,895)	(68)	(202)	(1,005)	-	-	(8,817)
Reclassifications	-	2,305	-	(1,214)	-	-	-	1,091
Translation reserve	-	-	-	(5)	30	-	-	25
At 31 December 2021	210,357	1,155,126	44,569	51,310	154,644	-	-	1,616,006
Net book value								
At 31 December 2021	151,023	184,134	8,827	2,008	16,295	139,344	28,687	530,318

13 Property, Plant and Equipment (cont'd)

	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: Buildings Rp'million	Construction in progress: Machinery Rp'million	Total Rp'million
Group								
Cost								
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 2021

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 Rp66,370 million (2020: Rp77,429 million) and Rp32,061 million (2020: Rp30,604 million), respectively

Assets pledged as security

As at 31 December 2021, buildings and improvements, machinery and heavy equipment with an aggregate carrying amount of Rp503,239 million (2020: Rp471,849 million) are pledged as collateral for the Group's interest-bearing loans (Note 28).

	Furniture, fixtures and equipment Rp'million
Company	
Cost	
At 1 January 2020	404
Additions	3
Translation reserve	6
At 31 December 2020 and 1 January 2021	413
Additions	-
Translation reserve	5
At 31 December 2021	418
Accumulated depreciation	
At 1 January 2020	396
Depreciation charge for the year	3
Translation reserve	6
At 31 December 2020 and 1 January 2021	405
Depreciation charge for the year	2
Translation reserve	5
At 31 December 2021	412
Net book value	
At 31 December 2021	6
At 31 December 2020	8

14 Investment in Subsidiaries

	Company 2021 Rp'million	Company 2020 Rp'million
Unquoted shares, at cost		
At 1 January	2,787,437	2,787,900
Disposals	-	(463)
At 31 December	2,787,437	2,787,437
Less: Allowance for impairment losses		
At 1 January	(1,960,158)	(1,960,621)
Disposals	-	463
At 31 December	(1,960,158)	(1,960,158)
	827,279	827,279

In 2020, the Company had struck off its 51% owned subsidiary, Samko USA LLC. The subsidiary had been dormant since prior years and the disposal had no significant impact on the Company.

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 2021 %	Percentage of effective equity interest held by the Company 2020 %
Held by the Company			
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)[2]	Wholesale of plywood, sawn timber, logs and related products	100	100
Samko Forestry Pte. Ltd. (Singapore)[2]	Investment holding	100	100
Bioforest Pte. Ltd. (Singapore)[2]	Investment holding	100	100
PT Sempurna Kayu Abadi (Indonesia)	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 Group 2021 %	2020 %
Held by Samko Trading Pte. Ltd.			
PT Anugrah Karunia Alam (Indonesia)(1)	Wholesale of plywood, sawn timber, logs and related products	100	100
PT Alam Raya Makmur (Indonesia)(1)	Wholesale of plywood, sawn timber, logs and related products	100	100
Held by PT Sumber Graha Sejahtera and Samko Trading Pte Ltd			
PT Sempurna Graha Abadi (Indonesia)(1)	Investment holdings	100	100
Held by PT Sempurna Graha Abadi			
PT Sumber Graha Maluku (Indonesia)(1)(3)	Investment holdings	51	51
Held by PT Sumber Graha Maluku			
PT Mangole Timber Producers (Indonesia)(1)(3)	Production of plywood and wood based furniture	51	51
PT Kirana Cakrawala (Indonesia)(1)(3)	Production of plywood and wood based furniture	51	51
PT Kalpika Wanatama (Indonesia)(1)(3)	Production of plywood and wood based furniture	51	51
PT Bina Mahoni Utama (Indonesia)(1)(3)	Production of plywood and wood based furniture	51	51
PT. Wiranusa Trisatrya (Indonesia)(1)(3)	Production of plywood and wood based furniture	51	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 of 2020, refer to Note 33.

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 (2020: Rp793,832 million), net of allowance for impairment loss of Rp1,904,846 million (2020: 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 4% (2020: average annual revenue growth rate of 2%).
(ii) Average annualised projection rate of 5% (2020: 2.5%) for overheads and other general expenses.
(iii) Terminal growth rate of Nil (2020: Nil) has been used for terminal value.
(iv) Discount rate of 14% (2020: 18%) 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 54% (2020: 30%). Accordingly, management concluded that no additional allowance for impairment loss (2020: 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% (2020: 1%) or the estimated discount rate increases by 5% (2020: 5%), the estimated recoverable amount of PT SGS is still in excess of its carrying amount.

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15 Biological Assets

	Group	
	2021	2020
	Rp'million	Rp'million
At fair value		
At 1 January	414,724	52,620
Capitalisation of expenses	2,327	3,692
Net gain in fair value less expected costs to sell	17,811	127,979
Assets acquisition (Note 33)	-	230,433
At 31 December	434,862	414,724

The Group's plantations are located in Java, Sumatera and Sulawesi with total planted areas that cover 1,397 hectares (2020: 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 (2020: 30,352 hectares).

The Group's plantation trees in Java, Sumatera and Sulawesi consist of Gmelina Arborea, Paraserianthes Falcataria, Anthocepalus Cadamba and Tectona Grandis with 17% (2020: 37%) aged between 5 – 7 years (2020: between 5 – 7 years) and 83% (2020: 63%) aged more than 7 years (2020: 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 2021, biological assets with an aggregate carrying amount of Rp434,862 million (2020: Rp414,724 million) 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 (2020: 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 2.73% (2020: 3.66%) based on the average of last 5 years (2020: 5 years).
(vi) Discount rate is 10.4% (2020: 11.99%).

15 **Biological Assets** (cont'd)

Fair value measurement (cont'd)

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 (2020: 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 2.73% (2020: 3.66%) based on the average of last 5 years (2020: 5 years).
(vi) Discount rate is 10.4% (2020: 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 actively monitors and plan the cash flow requirements for such activities.

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For the financial year ended 31 December 2021

16 Land Use Rights

	Group	
	2021	2020
	Rp'million	Rp'million
Cost		
At 1 January	129,307	106,153
Additions	1,001	4,511
Assets acquisition (Note 33)	-	18,651
Disposals	-	(8)
At 31 December	130,308	129,307
Accumulated amortisation		
At 1 January	59,039	54,648
Amortisation	7,548	4,395
Disposals	-	(4)
At 31 December	66,587	59,039
Net book value		
At 31 December	63,721	70,268
Amount to be amortised:		
- Not later than one year	7,548	4,395
- Later than one year but not later than five years	13,980	13,980
- Later than five years	42,193	51,893

The land use rights (comprising 640 hectares (2020: 640 hectares) of land in Indonesia) are transferable and have a remaining tenure ranging from 1 to 52 years (2020: 2 to 53 years).

As at 31 December 2021, land use rights with an aggregate carrying amount of Rp54,163 million (2020: Rp60,229 million) are pledged as collateral for the Group's interest-bearing loans (Note 28).

17 Deferred Tax

Deferred tax at the end of the reporting period relates to the following:

	Group					
	Consolidated statement of financial position		Consolidated profit or loss		Consolidated other comprehensive income	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million
Deferred tax assets						
Unutilised tax losses*	28,989	27,434	1,555	25,352	-	-
Difference in post-employment benefits obligation	72,141	71,509	(1,213)	(3,814)	1,845	3,754
Allowance for incentives	-	81	(81)	(11)	-	-
Allowance for impairment loss of financial assets	3,000	596	2,404	(81)	-	-
Allowance for advances suppliers	472	100	372	170	-	-
Effect of change in fair value of biological assets	7,713	5,926	1,787	5,629	-	-
Difference in depreciation for tax purposes	5,649	5,222	427	1,980	-	-
Allowance for inventory obsolescence	918	-	918	-	-	-
Other items	295	261	34	(25)	-	-
	119,177	111,129				
Deferred tax liabilities						
Effect of change in fair value of biological assets	(39,467)	(33,819)	(5,648)	(33,819)	-	-
Difference in accounting and tax treatment of leases	(14,080)	(9,689)	(4,391)	(6,528)	-	-
	(53,547)	(43,508)				
Deferred tax (charged)/ credited to profit or loss/ other comprehensive income**			(3,836)	(11,147)	1,845	3,754

* The deferred tax assets arose from a subsidiary's unutilised tax losses of approximately Rp131,768 million (2020: Rp124,700 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 2021

18 Other Non-Current Assets

	Group		Company	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million
Advances for purchase of property, plant and equipment	38,391	4,854	-	-
Estimated claim for tax refund	24,693	600	-	-
Guarantee deposits – net	4,635	4,527	105	-
Other advances	24,803	1,519	-	-
	92,522	11,500	105	-

19 Inventories

	Group	
	2021 Rp'million	2020 Rp'million
Consolidated statement of financial position		
At cost		
Raw materials	41,153	14,363
Work in progress	339,424	385,805
Indirect materials and spare parts	90,069	96,367
At lower of cost and net realisable value		
Finished goods	372,399	380,106
	843,045	876,641
Consolidated income statement		
Inventories recognised as an expense in cost of sales	1,655,804	1,254,160
Inventories written-down in other expenses	22,837	79

During 2021, the Group wrote off certain inventories amounting to Rp22,837 million due to a fire incident occurring in a subsidiary's premises.

As at 31 December 2021, inventories with an aggregate carrying amount of Rp706,611 million (2020: Rp773,034 million) are pledged as collateral for the Group's interest-bearing loans (Note 28).

20 Trade and Other Receivables

	Group		Company	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million
Trade receivables, net of allowance				
- Third parties	376,976	345,753	1,259	42,701
Other receivables, net of allowance				
- Third parties	151,283	117,525	5	19
- Subsidiaries	-	-	24,986	71,097
Total trade and other receivables	528,259	463,278	26,250	113,817
Less: Other receivables (see below)	(114,952)	(97,634)	-	-
Add:				
Guarantee deposits - net (Note 18)	4,635	4,527	105	-
Restricted deposits (Note 23)	21	6,196	-	-
Cash at banks and on hand (Note 24)	39,586	30,322	478	770
Total financial assets carried at amortised costs	457,549	406,689	26,833	114,587

Trade receivables are non-interest bearing and are generally on 30 to 90 days credit terms.

As at 31 December 2021, trade receivables with an aggregate carrying amount of Rp140,640 million (2020: Rp158,371 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 2021, these receivables (included in other receivables – third parties) amounted to Rp114,952 million (2020: Rp97,634 million).

Other receivables from subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand in cash.

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	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million
United States Dollar	85,156	9,168	-	-
Singapore Dollar	5	-	6,548	5,433
Malaysian Ringgit	769	-	-	-

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20 Trade and Other Receivables (cont'd)

Expected credit loss

The movements in the loss allowance for trade and other receivables during the financial year are as follows:

	Group		Company	
	2021	2020	2021	2020
	Rp'million	Rp'million	Rp'million	Rp'million
At 1 January	31,681	31,475	1,104	1,513
(Recovery of)/Allowance for the year	(192)	346	-	-
Written-off	(138)	(627)	-	(416)
Translation	643	487	13	7
At 31 December	31,994	31,681	1,117	1,104

As at 31 December 2021, the above loss allowances included Rp3,480 million and Rp627 million (2020: Rp3,440 million and Rp620 million) for other receivables of the Group and the Company, respectively.

21 Prepaid Operating Expenses

	Group		Company	
	2021	2020	2021	2020
	Rp'million	Rp'million	Rp'million	Rp'million
Value-added tax and income taxes	40,866	47,745	69	94
Insurance	14,257	14,514	57	40
Prepayment for logging permits	5,022	2,146	-	-
Land title transfer fee	3,824	-		
Freight	2,845	5,266	-	-
Short-term leases	1,876	2,329	-	-
Loan facility fees*	-	18,620	-	-
Others	9,307	3,379	375	371
	77,997	93,999	501	505

* In 2020, the loan facility fees were paid to the banks for bank facilities of US$60 million granted to the Group. These bank facilities have been utilised by the Group in 2021.

22 Advances to Suppliers

	Group		Company	
	2021	2020	2021	2020
	Rp'million	Rp'million	Rp'million	Rp'million
For the procurement of, net of allowar				
- Veneers	15,570	16,453	-	-
- Plywood	15,191	1,419	-	-
- Spare parts	14,116	8,504	-	-
- Logs	5,503	28,338	-	-
- Others	22,382	10,711	13	-
	72,762	65,425	13	-

The movements in the allowance for impairment loss of advances to suppliers during the financial year are as follows:

	Group		Company	
	2021	2020	2021	2020
	Rp'million	Rp'million	Rp'million	Rp'million
At 1 January	2,146	6,265	-	-
Allowance for the year	-	744	-	-
Written-off	-	(4,863)	-	-
At 31 December	2,146	2,146	-	-

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 2021, restricted deposits denominated in United States Dollar of which have exposure to foreign currency risk (Note 35(b)) amounted to Rp4 million (2020: Rp3,638 million).

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24 Cash at Banks and On Hand

	Group		Company	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million
Cash at banks	39,049	29,701	478	770
Cash on hand	537	621	-	-
Cash and cash equivalents as per statement of cash flows	39,586	30,322	478	770
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 2021, 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	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million
United States Dollar	20,279	13,567	-	-
Singapore Dollar	693	765	205	44

25 Trade and Other Payables

	Group		Company	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million
Trade payables				
- Third parties	511,213	362,549	-	-
- Related parties	3,220	1,166	-	-
- Subsidiaries	-	-	17,760	56,260
Other payables				
- Third parties	50,271	88,140	444	1,763
- Related parties	12	-	-	-
- Subsidiary	-	-	1,356	1,250
Total trade and other payables	564,716	451,855	19,560	59,273
Add:				
Other liabilities* (Note 26)	13,686	28,658	260,908	306,528
Loans and borrowings (Note 28)	1,517,398	1,435,530	-	-
Lease liabilities (Note 32)	32,622	90,450	-	-
Total financial liabilities carried at amortised cost	2,128,422	2,006,493	280,468	365,801

* Excludes post-employment benefits and value-added tax.

25 Trade and Other Payables (cont'd)

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 2021, trade and other payables denominated in currencies of which have exposure to foreign currency risk (Note 35(b)) are as follows:

	Group		Company	
	2021	2020	2021	2020
	Rp'million	Rp'million	Rp'million	Rp'million
United States Dollar	42,073	16,351	-	-
Singapore Dollar	740	2,442	464	1,232

26 Other Liabilities

	Group		Company	
	2021	2020	2021	2020
	Rp'million	Rp'million	Rp'million	Rp'million
Current				
Post-employment benefits (Note 29)	31,182	28,274	-	-
Accrual for operating expenses	9,863	24,271	2,311	2,369
Accrued interest expense	3,733	4,320	-	-
Value-added tax	3,033	4,484	151	262
Others	90	67	-	-
	47,901	61,416	2,462	2,631
Non-current				
Amount due to a subsidiary	-	-	258,597	304,159
	-	-	258,597	304,159
Total other liabilities	47,901	61,416	261,059	306,790
Balances denominated in currency of which have exposure to foreign currency risk (Note 35(b)): Singapore Dollar	2,479	2,672	2,311	2,369

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26 Other Liabilities (cont'd)

Amount due to a subsidiary is non-trade related, unsecured, non-interest bearing and not expected to be repaid within the next twelve months.

27 Advances from Customers

	Group		Company	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million
Local	4,650	3,514	-	-
Export	719	847	-	757
	5,369	4,361	-	757

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	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million
Advances from customers recognised as revenue	4,361	8,135	757	1,327
Advance payments received for goods not yet transferred	(5,369)	(4,361)	-	(757)

28 Loans and Borrowings

	Group 2021 Rp'million	Group 2020 Rp'million
Current		
Interest-bearing short-term bank loans[1][2]	1,013,325	1,192,501
Interest-bearing long-term bank loans – current portion[2][3]	31,201	46,478
	1,044,526	1,238,979
Non-current		
Interest-bearing long-term bank loans – non-current portion[2][3]	401,223	126,125
Interest-bearing term notes[2]	71,649	70,426
	472,872	196,551
Total loans and borrowings carried at amortised cost	1,517,398	1,435,530

(1) Included in the interest-bearing short-term bank loans, an amount of Rp50,924 million (2020: Rp24,974 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 Rp6,299 million (2020: Rp4,607 million) and Rp29,243 million (2020: Rp3,889 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 Rp128,125 million (2020: Rp150,000 million) was granted in 2020 and is repayable over 48 monthly installments commencing from June 2021.

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28 Loans and Borrowings (cont'd)

(a) Interest-bearing loans

	Group 2021 Rp'million	Group 2020 Rp'million
(i) Total syndicate loans facilities from PT Bank OCBC NISP Tbk and OCBC Limited up to US$26,395,000 (approximately: Rp376,630 million) (2020: US$59,395,000 (approximately: Rp837,766 million) and Rp543,850 million (2020: 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.	603,518	762,368

Term loans under syndicate loans facilities consist of US$24,395,000 (2020: US$24,395,000) and Rp209,300 million (2020: Rp209,300 million) incur interest at 1 month LIBOR plus 4.25% (2020: 1 month LIBOR plus 4.25%), and lender prime lending rate of 9.25% - 9.75% (2020: lender prime lending rate of 9.75% -11%) per annum, respectively. Term loans are repayable on monthly installments. The US$ and Rp term loans facilities have been fully repaid in March and May 2021.

Working capital under syndicate loans facilities including bank guarantee and foreign exchange line of US$2,000,000 (2020: US$35,000,000) and Rp334,550 million (2020: Rp359,550 million) incur interest at 1 month LIBOR plus 3.5% (2020: COF plus 3% and 1 month LIBOR plus 3.5%) and lender prime lending rate of 9.25% - 9.75% (2020: lender prime lending rate of 9.75% - 11%) per annum, respectively.

Total bilateral loan facilities from PT Bank OCBC NISP Tbk up to Rp223,000 million (2020: 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 9.25% - 9.75% (2020: lender prime lending rate of 9.75% - 11%) 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 9.25% - 9.75% (2020: lender prime lending rate of 9.75% - 11%) per annum and is repayable within 75 days after withdrawal.

Letter of credit or trade purchase financing facility of Rp15,000 million incur commission fee at 0.25% - 0.5% per quarter.

28 Loans and Borrowings (cont'd)

(a) Interest-bearing loans (cont'd)

		Group 2021 Rp'million	Group 2020 Rp'million
(i)	(cont'd) Total loan facilities from PT Bank OCBC NISP Tbk for Mangole Project up to US75,000,000 (approximately: Rp1,070,175 million) comprising term loans and demand loans. Term loans facilities consist of US$65,000,000 incur interest at 3 month LIBOR plus 3.5% and repayable on quarterly installments within 8 years from the first withdrawal date. Demand loans facilities consist of US$10,000,000 incur interest at 1 month LIBOR plus 3.25% and lender prime lending rate of 9.25% per annum, and repayable every 45 days since withdrawal date. 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 (2020: not less than 1.25 times), adjusted leverage ratio not more than 2.5 times (2020: not more than 2.5 times), consolidated debt to EBITDA not more than 5.5 times (2020: not more than 5.5 times), loan to value ratio not more than 75% (2020: not more than 75%), and adjusted current ratio not less than 1 time (2020: not less than 1 time).		
(ii)	US$5,000,000 (2020: US$20,000,000) multi-currency specific advance facility from OCBC Limited and payable within 1 - 3 months (2020: within 1 - 3 months). Interest rate per annum to be agreed at each withdrawal of advance.	71,345	282,100
(iii)	Rp60,000 million (2020: Rp60,000 million) revolving overdraft facility from PT Bank Sahabat Sampoerna and is repayable in 12 months (2020: 12 months) from the date of withdrawal and incur interest at 13.5% (2020: 13.5%) per annum.	50,924	24,974
(iv)	Total facilities from PT Bank CTBC Indonesia up to US$7,000,000 (approximately Rp85,134 million) (2020: US$7,000,000 (approximately Rp84,087 million)) comprise of short-term loan for working capital, procurement and export facility and foreign exchange line. These facilities are repayable within 4 months from the date of withdrawal and incur interest at 5% - 5.25% per annum for US$ withdrawal and 9.75% - 10% per annum for Rp withdrawal (2020: 5.25% per annum for US$ withdrawal and 10% per annum for Rp withdrawal).	85,134	84,087

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28 Loans and Borrowings (cont'd)

(a) Interest-bearing loans (cont'd)

		Group 2021 Rp'million	Group 2020 Rp'million
(iv)	(cont'd) The bank facilities include financial covenants which require the lenders to maintain EBITDA to debt service ratio not less than 1 time (2020: not less than 1 - 1.1 times), debt to equity ratio not more than 1.5 times (2020: not more than 1.5 times), debt to EBITDA ratio not more than 5 times (2020: not more than 5 times), current ratio not less than 1 time (2020: 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.		
(v)	US$20,000,000 (2020: US$15,000,000) from PT Bank Woori Sahabat Indonesia 1906 Tbk (approximately Rp 278,246 million) (2020: approximately Rp211,575 million) general financing facility (2020: working capital facility) repayable in quarterly instalments (2020: 12 months from the credit signing date) and incur interest at 3-month LIBOR plus 3.75% (2020: 3-month LIBOR plus 3.75%) per annum. The loan includes financial covenants which require the lenders to maintain EBITDA to interest expense ratio not less than 1.2 times (2020: not less than 1.2 times) and debt to asset ratio not more than 50% (2020: not more than 50%).	278,246	211,575
(vi)	3-year term (2020: 3-year term) of private placement of medium-term notes up to US$20 million. In 2021, issued US$3,000,000 and Rp30,000 million (total issued approximately Rp71,649 million) (2020: US$3,000,000 and Rp30,000 million (total issued approximately Rp70,426 million)) medium term notes repayable in 36 months from date of issuance and incur interest at fixed rates of 8.5% (2020: 8.5%) per annum for US$ term note and 13% (2020: 13%) per annum for Rp term note.	71,649	70,426
(vii)	Total facilities from PT Bank BCA Tbk up to US$15,000,000 (approximately Rp142,547 million) comprise of time loan revolving loan for working capital and foreign exchange line. These facilities are repayable in 12 months from the credit signing date and incur interest at 5% per annum.	142,547	-

28 Loans and Borrowings (cont'd)

(a) Interest-bearing loans (cont'd)

		Group 2021 Rp'million	Group 2020 Rp'million
(vii)	(cont'd) The bank facilities include financial covenants which require the lenders to maintain EBITDA to debt service ratio not less than 1 time, debt to equity ratio not more than 2.5 times, and total amount of trade receivables, inventories, and advance to suppliers, minus trade payables more than the outstanding short term bank loan.		
(viii)	Total loans facilities from PT Bank Mandiri Tbk up to US$40,000,000 (approximately: Rp428,070 million) comprising term loans, demand loans, and foreign exchange line. Term loans facilities consist of US$15,000,000 (approximately Rp214,035 million) incur interest at 4.25% per annum and repayable within 5 years from the credit signing date, working capital facilities of US$15,000,000, incur interest at 4% per annum and repayable within 1 year from the credit signing date, and foreign exchange line facilities up to US$10,000,000, respectively. The bank facilities include financial covenants which require a group of subsidiaries to maintain EBITDA to debt service ratio not less than 100%, debt to equity ratio not more than 400%, current ratio not less than 100%, and to maintain positive net worth.	214,035	-
Total interest-bearing loans		1,517,398	1,435,530
Effective interest rates per annum:			
USD loans and borrowings		2.9% - 5.22%	2.87% - 5.99%
Rp loans and borrowings		9.35% - 13.5%	9.75% - 13.50%
Repayable:			
Within one year		1,044,526	1,238,979
Between two and five years		472,872	196,551
		1,517,398	1,435,530
Balances denominated in currency of which have exposure to foreign currency risk (Note 35(b)):			
United States Dollar		816,521	492,406

In August 2021, the Group obtained a new term loan and revolving credit facility amounting to US$75 million from PT Bank OCBC NISP Tbk to finance PT Sumber Graha Maluku and its subsidiaries' capital expenditure and working capital. These bank facilities replaced the US$60 million loans facilities previously obtained in 2020 and the facilities have been utilised as at 31 December 2021.

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For the financial year ended 31 December 2021

28 Loans and Borrowings (cont'd)

(a) Interest-bearing loans

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) hold 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 29 December 2021, the relevant bank has granted the subsidiary a waiver of having to comply with such financial covenants up to 31 December 2022. Accordingly, the related long-term loans amounting to Rp89,175 million (2020: Rp126,125 million) continues to be classified under non-current liabilities as at year end.

The subsidiary of the Group has also not met certain financial covenants as set out in the loan agreements with PT Bank CTBC Indonesia. On 22 February 2022, the relevant bank has granted the subsidiary a waiver of having to comply with such financial covenants up to 31 December 2021, The related short-term loans amounting to Rp85,134 million (2020: 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		
	Beginning balance Rp'million	Proceeds(1) Rp'million	Repayments Rp'million	Foreign exchange movement Rp'million	Non-cash items(2) Rp'million	Ending balance Rp'million
Group						
2021						
Interest-bearing loans:						
Short-term loans	1,190,130	4,547,066	(4,766,462)	6,724	10,996	988,454
Long-term loan	150,000	286,140	(31,302)	1,533	-	406,371
Medium-term notes	70,426	-	-	492	731	71,649
Bank overdraft	24,974	347,918	(321,968)	-	-	50,924
	1,435,530	5,181,124	(5,119,732)	8,749	11,727	1,517,398
Lease liabilities	90,450	-	(59,476)	459	1,189	32,622
	1,525,980	5,181,124	(5,179,208)	9,208	12,916	1,550,020

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		
	Beginning balance Rp'million	Proceeds[1] Rp'million	Repayments Rp'million	Foreign exchange movement Rp'million	Non-cash items[2] Rp'million	Ending balance Rp'million
Group						
2020						
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
	1,408,053	4,771,911	(4,702,323)	7,776	40,563	1,525,980

(1) The proceeds of interest-bearing bank loans and term notes net of transaction costs of Rp38,773 million (2020: Rp9,436 million) and Nil (2020: Rp2,194 million), respectively.

(2) Mainly relates to amortisation of deferred transaction costs and interests.

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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	
	2021 Rp'million	2020 Rp'million
Post-employment benefits liabilities:		
Current portion (Note 26)	31,182	28,274
Non-current portion	296,732	296,521
	327,914	324,795

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 2021, the number of employees entitled to the post-employment benefits was 5,288 (2020: 6,233).

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:

	Group	
	2021 Rp'million	2020 Rp'million
Post-employment benefits liabilities		
At 1 January	324,795	286,277
Expense during the year (see below)	48,086	45,598
Actual payments during the year:		
Employees	(56,917)	(23,644)
Dana Pensiun Manulife Indonesia	(3,000)	(6,000)
Actuarial loss during the year (see below)	14,950	22,564
At 31 December	327,914	324,795
Post-employment benefits expense		
Current service costs	29,069	28,316
Interest costs	19,017	19,759
Net curtailment effect or termination	-	(2,477)
	48,086	45,598

29 Post-Employment Benefits (cont'd)

The following table summarises the re-measurements, comprising of actuarial gains and losses, recognised in other comprehensive income:

	Group	
	2021 Rp'million	2020 Rp'million
Actuarial loss during the year before tax	(14,950)	(22,564)
Tax charge	1,845	3,754
Actuarial loss during the year after tax	(13,105)	(18,810)

The cost of providing post-employment benefits is calculated by an independent actuary, using the following key assumptions:

	Group	
	2021 Rp'million	2020 Rp'million
Discount rate per annum	7.28% - 7.56%	7.18%
Mortality table*	TMI III – 2011	TMI III – 2011
Rate of increase in compensation per annum	8%	8%
Retirement age	55 years old	55 years old

* 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	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million
As reported using discount rate of 7.28% - 7.56% (2020: 7.18%) per annum	327,914	324,795	48,086	45,598
Increase by 100 basis points	304,375	302,619	28,366	28,121
Decrease by 100 basis points	367,358	374,128	28,366	28,121

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

30 Share Capital

	Group and Company			
	2021		2020	
	Number of ordinary shares	Rp'million	Number of ordinary shares	Rp'million
Issued and fully paid:				
At 1 January	2,384,836,283	539,028	2,377,150,505	537,603
Issuance of shares under Samko Performance Share Plan (Note 31(a))	10,867,280	3,861	7,685,778	1,425
At 31 December	2,395,703,563	542,889	2,384,836,283	539,028

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.

31 Other Reserves and Non-controlling Interests (cont'd)

(a) 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.

Group/Company	Number of share awards
2018 Awards	
- Vest on 29 August 2018	3,100,000
- Vest on 27 June 2020	7,685,778
- Vest on 27 June 2021	10,867,280
	21,653,058

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.

Group/Company	Number of share awards
2019 Awards	
- Vest on 27 June 2022	12,467,532

No share awards were granted during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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
Group/Company				
2021				
2019 Awards	12,467,532	-	-	12,467,532
2018 Awards	10,867,280	-	(10,867,280)	-
2020				
2019 Awards	12,467,532	-	-	12,467,532
2018 Awards	18,553,058	-	(7,685,778)	10,867,280

During the current financial year, 10,867,280 (2020: 7,685,778) of share awards were released and 12,467,532 (2020: 23,334,812) 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 (S$ cents)	0.020	0.020
Last traded share price	(Rp209)	(Rp209)

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) allocated to NCI	Other comprehensive income/(loss) allocated to NCI	Accumulated NCI
		Rp'million	Rp'million	Rp'million
2021				
PT Sumber Graha Maluku and its subsidiaries*	49%	9,413	-	316,111
Individual immaterial subsidiaries with NCI		(1,689)	50	2,171
		7,724	50	318,282
2020				
PT Sumber Graha Maluku and its subsidiaries*	49%	56,692	-	306,612
Individual immaterial subsidiaries with NCI		(1,596)	(83)	3,896
		55,096	(83)	310,508

* Group entities refer to Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

31 Other Reserves and Non-controlling Interests (cont'd)

(b) Non-controlling Interests (cont'd)

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.

	2021 Rp'million	2020 Rp'million
Non-current assets	619,114	457,729
Current assets	233,644	250,769
Non-current liabilities	(135,160)	(12,837)
Current liabilities	(63,502)	(68,176)
Equity attributable to equity holder of the Company	338,131	319,126
Non-controlling interests	316,111	306,612
Revenue	-	-
Profit and other comprehensive income for the year	19,210	115,700
Profit and comprehensive income for the year:		
Allocated to the equity holder of the Company	9,797	59,008
Allocated to NCI	9,413	56,692
	19,210	115,700
Net cash flows generated from/(used in) operating activities	80,686	(2,823)
Net cash flows used in investing activities	(133,176)	(265,642)
Net cash flows generated from in financing activities	49,058	275,077
Net cash (outflow)/inflow	(3,432)	6,612

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

	Group	
	2021 Rp'million	2020 Rp'million
Buildings	9,753	17,365
Machinery and heavy equipment	76,948	85,456
Vehicles	-	408
	86,701	103,229

The additions of right-of use assets during the financial year are as below.

	Group	
	2021 Rp'million	2020 Rp'million
Buildings	1,189	23,814
Machinery and heavy equipment*	22	20,694
Vehicles	743	-
	1,954	44,508

* Additions included amount reclassified from property, plant and equipment amounted to Nil (2020: Rp18,123 million).

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For the financial year ended 31 December 2021

32 **Leases** (cont'd)

The Group as a lessee (cont'd)

(c) Amounts recognised in profit or loss

	Group	
	2021	2020
	Rp'million	Rp'million
Depreciation charge for the year:		
Buildings	8,856	9,071
Machinery and heavy equipment	7,738	6,880
Vehicles	164	247
	16,758	16,198
Interest on lease liabilities	3,110	5,247
Short-term leases expense	2,604	1,826

(d) Lease liabilities

	Group	
	2021	2020
	Rp'million	Rp'million
Current		
Lease liabilities	31,105	58,387
Non-current		
Lease liabilities	1,517	32,063
	32,622	90,450
Balances denominated in currencies of which have exposure to foreign currency risk (Note 35(b)):		
United States Dollar	17,809	38,300
Singapore Dollar	1,483	2,160

(e) Total cash outflow

The Group has total cash outflow for payment of lease liabilities of Rp59,476 million (2020: Rp72,120 million) and payment of short-term leases expense of Rp2,604 million (2020: Rp1,826 million) during the financial year.

33 Assets Acquisition

In September 2019, PT Sumber Graha Sejahtera ("PT SGS"), a wholly owned subsidiary of the Group had 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 had 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 had become 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, were 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 had 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 were as follows:

	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
	577,704
Cash consideration for the Subscription Transaction paid by the Group	294,613
Cash and cash equivalents acquired (above)	(294,613)
Total net cash outflow	-

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For the financial year ended 31 December 2021

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 2021 Rp'million	Group 2020 Rp'million
Related party transactions		
Office rental paid/payable to PT Sampoerna Land	7,207	6,892
Interest expense paid/payable to PT Bank Sahabat Sampoerna	7,847	6,154

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 2021 Rp'million	Group 2020 Rp'million
Compensation to directors and key management personnel		
Directors fees	3,015	2,420
Short-term employee benefits	39,449	38,225
Equity-settled performance share plan	1,352	1,247
Defined contribution plan benefits	188	139
	44,004	42,031
Comprise amount paid/payable to:		
Directors of the Company	19,893	17,847
Other key management personnel	24,111	24,184
	44,004	42,031

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 Rp976,854 million (2020: Rp1,044,467 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.

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 2021

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:

Internal rating grades	**Definition**	**Basis of recognition of expected credit loss (ECL)**
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

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 >30 days	Past due > 60 days	Past due > 90 days	Total
			Rp'million		
Group					
2021					
Indonesia					
Expected credit loss rate	*	5%	18%	19%	
Gross carrying amount	87,643	5,920	3,321	45,436	142,320
Less: Loss allowance	*	*	*	27,138[(1)]	27,138
Other geographical areas					
Expected credit loss rate	*	*	*	*	
Gross carrying amount	255,174	2,217	1,497	4,282	263,170
Less: Loss allowance	*	*	*	1,376[(2)]	1,376
2020					
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[(1)]	27,123
Other geographical areas					
Expected credit loss rate	*	*	*	*	
Gross carrying amount	160,324	22,421	444	7,566	190,755
Less: Loss allowance	*	*	*	1,118[(2)]	1,118

* Insignificant ECL rate/loss allowance.

(1) Included in > 90 days were amounts due more than 365 days of which 77% (2020: 100%) loss allowances have been recognised totalling Rp27,138 million (2020: Rp27,123 million). ECL on the remaining balance was immaterial.

(2) Included in > 90 days were amounts due more than 365 days of which 44% (2020: 100%) loss allowances have been recognised totalling Rp1,376 million (2020: Rp1,118 million). ECL on the remaining balance was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

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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 >30 days	Past due > 60 days	Past due > 90 days	Total
			Rp'million		
Company					
2021					
Other geographical areas					
Expected credit loss rate	*	*	*	100%	
Gross carrying amount	1,250	-	-	499	1,749
Less: Loss allowance	*	*	*	490[(1)]	490
2020					
Other geographical areas					
Expected credit loss rate	*	*	*	100%	
Gross carrying amount	42,701	-	-	485	43,186
Less: Loss allowance	*	*	*	485[(1)]	485

* Insignificant ECL rate/loss allowances.

(1) Included in > 90 days were amounts due more than 365 days of which 98% (2020: 100%) loss allowances have been recognised totalling Rp490 million (2020: Rp485 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.

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:

	Group	
	Loss after tax 2021 Rp'million	Loss after tax 2020 Rp'million
(Decrease)/Increase by:		
Strengthened 2%	(285)	(286)
Weakened 2%	285	286

Management considers the Company has no significant exposure to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 2021, the forward foreign currency contracts outstanding at the reporting date is as follows:

Foreign exchange forward contracts	Range of exchange rates (Rp)	Notional principal value	Derivative financial instruments at fair value Rp'million
Group			
2021			
Buy US$ less than 6 months	14,333 to 14,705	US$11,875,000	2,509
2020			
Buy US$ less than 6 months	14,250 to 15,145	US$11,000,000	5,412

(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.

35 Financial Instruments (cont'd)

Financial risk management objectives and policies (cont'd)

(c) Interest rate risk (cont'd)

A fundamental financial industry reform of interest rate benchmarks is being undertaken globally, including the cessation and replacement of interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "interest rate benchmark reform"). The Group's interest rate risk that is directly affected by the interest rate benchmark reform predominantly comprises its variable rate borrowings. As at 31 December 2021, the Group has variable rate borrowings that are indexed to LIBOR as disclosed in Note 28. The borrowing contracts which maturing after the cessation of IBORs publication include a fallback clause that deals with the cessation and replacement of the existing IBORs to other index benchmark and/or other bank rates.

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 would have been Rp14,160 million lower/higher (2020: Rp10,840 million higher/lower).

Management considers the Company's exposure to interest rate risk is not material.

(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 69% (2020: 86%) 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 Rp1,658,422 million (2020: Rp1,271,918 million) to draw down, if required.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

35 **Financial Instruments** (cont'd)

Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

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
Group				
2021				
Trade and other payables	564,716	564,716	-	564,716
Other liabilities*	13,686	13,686	-	13,686
Loans and borrowings	1,517,398	1,142,453	538,419	1,680,872
Lease liabilities	32,622	32,297	1,403	33,700
Total undiscounted financial liabilities	2,128,422	1,753,152	539,822	2,292,974
2020				
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
Total undiscounted financial liabilities	2,006,493	1,833,812	269,219	2,103,031

35 Financial Instruments (cont'd)

Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

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
Company				
2021				
Trade and other payables	19,560	19,560	-	19,560
Financial guarantee contracts	-	976,854	-	976,854
Other liabilities*	260,908	2,311	258,597	260,908
Total undiscounted financial liabilities	280,468	998,725	258,597	1,257,322
2020				
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

* Excludes post-employment benefit liabilities and value-added tax.

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
Group			
2021			
Foreign exchange forward contracts - gross	158,174	(155,665)	2,509
2020			
Foreign exchange forward contracts - gross	161,213	(155,801)	5,412

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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.

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 Rp'million (Level 1)	Significant other observable inputs Rp'million (Level 2)	Significant unobservable inputs Rp'million (Level 3)	Total Rp'million
Group				
2021				
Financial assets				
Derivative financial instruments	-	2,509	-	2,509
Non-financial assets				
Biological assets	-	-	434,862	434,862
2020				
Financial assets				
Derivative financial instruments	-	5,412	-	5,412
Non-financial assets				
Biological assets	-	-	414,724	414,724

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 2021

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

Valuation technique	**Key unobservable inputs**	**Relationship between key unobservable inputs to fair value**
Discounted cash flows	Market prices • Estimated future timber market price per m^3 in Java, Sumatra and Sulawesi - weighted average price of Rp722,064 (2020: Rp887,159) • Estimated future timber market price per m^3 in Maluku - weighted average price of Rp660,261 (2020: Rp510,019) Yield • Estimated yield per hectare in Java, Sumatra and Sulawesi - weighted average yield of 61 m^3 (2020: 61 m^3) • Estimated yield per hectare in Maluku - weighted average yield of 62 m^3 (2020: 65 m^3) Discount rate • Discount rate of 10.4% (2020: 11.99%)	Market prices The lower the market prices, the lower the fair value Yield The lower the yield, the lower the fair value Discount rate The higher the discount rate, the lower the fair value

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.

	2021		2020	
	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
Group				
Increase by 1%	423,896	(10,966)	404,447	(10,277)
Decrease by 1%	446,291	11,429	425,426	10,703

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% (2020: 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 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

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 2021 and 2020.

The Group is not subject to any significant externally imposed capital requirements.

The capital for the Group is tabulated below.

	Group	
	2021 Rp'million	2020 Rp'million
Loans and borrowings (including lease liabilities)	1,550,020	1,525,980
Equity attributable to the owners of the Company	45,173	71,488
Total equity and loans and borrowings	1,595,193	1,597,468

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 2021

38 Segment Information (cont'd)

	SGS division		ST division		Adjustments and eliminations			Per consolidated financial statements	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million	Note	2021 Rp'million	2020 Rp'million
Revenue:									
External customers	2,261,051	1,178,761	1,682,111	2,015,973	-	-		3,943,162	3,194,734
Inter-segment	1,577,884	1,925,508	-	-	(1,577,884)	(1,925,508)	A	-	-
Total revenue	3,838,935	3,104,269	1,682,111	2,015,973	(1,577,884)	(1,925,508)		3,943,162	3,194,734
Other information:									
Capital expenditure on property, plant and equipment	105,386	83,558	123	230	-	-		105,509	83,788
Capital expenditure on right-of-use assets	765	24,566	1,189	1,819	-	-		1,954	26,385
Capital expenditure on land use rights	1,001	4,511	-	-	-	-		1,001	4,511
Finance income	203	231	287	67	-	-		490	298
Finance expense	(105,601)	(90,953)	(17,652)	(19,328)	-	-		(123,253)	(110,281)
Depreciation of property, plant and equipment	(97,812)	(107,504)	(619)	(529)	-	-		(98,431)	(108,033)
Depreciation of right-of-use assets	(15,153)	(14,621)	(1,605)	(1,577)	-	-		(16,758)	(16,198)
Amortisation of land use rights	(7,360)	(4,395)	(188)	-	-	-		(7,548)	(4,395)
Post-employment benefits expense	(46,554)	(45,805)	(1,532)	207	-	-		(48,086)	(45,598)
Net gain on change in fair value of biological assets	17,811	127,979	-	-	-	-		17,811	127,979
Workers separation expenses	(14)	(10,790)	(67)	(540)	-	-		(81)	(11,330)
Inventories written-off	(22,837)	(79)	-	-		-		(22,837)	(79)
Recovery of/(allowance for) impairment losses of financial assets, net	192	-	-	(346)	-	-		192	(346)
Bad debts written off – trade	-	(3,845)	-	-		-		-	(3,845)
Net gain on disposal of property, plant and equipment	1,708	1,070	-	36	-	-		1,708	1,106
Income from insurance claim	28,596	-	-	6	-	-		28,596	6
Income tax expense	(18,492)	(17,313)	(2,193)	(1,763)	-	-		(20,685)	(19,076)
Segment profit/(loss) after tax	11,028	(34,653)	(14,606)	(2,248)	-	-		(3,578)	(36,901)

38 Segment Information (cont'd)

	SGS division		ST division		Adjustments and eliminations		Note	Per consolidated financial statements	
	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million	2021 Rp'million	2020 Rp'million		2021 Rp'million	2020 Rp'million
Assets:									
Deferred tax assets	112,232	105,060	6,945	6,069	-	-		119,177	111,129
Segment assets	3,006,655	2,972,664	1,244,615	1,169,635	(1,359,790)	(1,368,253)	B	2,891,480	2,774,046
Liabilities:									
Loans and borrowings	1,374,404	1,083,004	142,994	352,526	-	-		1,517,398	1,435,530
Lease liabilities	30,802	88,117	1,820	2,333	-	-		32,622	90,450
Income tax payable	6,754	8,204	2,986	205	-	-		9,740	8,409
Deferred tax liabilities	53,547	43,467	-	41	-	-		53,547	43,508
Segment liabilities	2,358,935	2,258,532	827,172	736,891	(658,082)	(603,373)	B	2,528,025	2,392,050

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 2021

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:

	Group			
	Revenue		Non-current assets	
	2021	2020	2021	2020
	Rp'million	Rp'million	Rp'million	Rp'million
United States of America	1,327,385	510,784	-	-
Indonesia	1,239,603	1,396,728	1,027,524	1,108,177
North Asia	901,584	784,317	-	-
Malaysia	359,119	297,035	-	-
Singapore	85,917	141,422	1,377	1,967
South East Asia	23,276	30,488	-	-
Others	6,278	33,960	-	-
	3,943,162	3,194,734	1,028,901	1,110,144

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.

39 Capital Commitments

Capital expenditure commitments as at the end of the reporting period is as follows:

	Group	
	2021	2020
	Rp'million	Rp'million
Commitments contracted for in respect of property, plant and equipment	666,362	-
Commitments budgeted but not contracted for in respect of property, plant and equipment	105,591	-
	771,953	-

40 Authorisation of Financial Statements for Issue

The financial statements for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 14 April 2022.

STATISTICS OF SHAREHOLDINGS

As at 7 April 2022

Class of shares	Number of issued shares excluding treasury shares	Voting Rights
Ordinary Shares	2,395,703,563	One vote per share

There are no treasury shares and subsidiary holdings held in the issued share capital of the Company.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	17	1.36	392	0.00
100 - 1,000	37	2.96	21,016	0.00
1,001 - 10,000	266	21.30	1,517,100	0.06
10,001 - 1,000,000	876	70.14	142,195,606	5.94
1,000,001 and above	53	4.24	2,251,969,449	94.00
	1,249	100	2,395,703,563	100

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Sampoerna Forestry Limited	1,520,673,015	63.48	-	-
First Fortuna Holdings Pte Ltd	150,597,000	6.29	-	-

STATISTICS OF SHAREHOLDINGS
As at 7 April 2022

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	RAFFLES NOMINEES (PTE.) LIMITED	1,610,027,277	67.20
2.	UOB KAY HIAN PRIVATE LIMITED	192,718,386	8.04
3.	CINDY SUNARKO OR KOH TJI BENG @AMBRAN SUNARKO	115,136,930	4.81
4.	TEMASEK LIFE SCIENCES VENTURES PRIVATE LIMITED	44,774,207	1.87
5.	OCBC SECURITIES PRIVATE LIMITED	30,633,458	1.28
6.	CITIBANK NOMINEES SINGAPORE PTE LTD	30,447,786	1.27
7.	HASAN HOLDINGS PTE LTD	28,485,846	1.19
8.	HORNG JIIN 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.	KOH BOON HONG	12,804,000	0.53
12.	HSBC (SINGAPORE) NOMINEES PTE LTD	11,687,000	0.49
13.	PHILLIP SECURITIES PTE LTD	11,643,168	0.49
14.	FIRST FORTUNA HOLDINGS PTE LTD	10,597,000	0.44
15.	TAN ENG CHUA EDWIN	9,728,700	0.41
16.	PATRICIA ALTHEA LEONG PECK HAN	7,200,000	0.30
17.	DBS NOMINEES (PRIVATE) LIMITED	6,227,991	0.26
18.	NOAH SHIPPING PTE LTD	5,657,000	0.24
19.	MAYBANK SECURITIES PTE. LTD.	4,923,000	0.21
20.	LIM & TAN SECURITIES PTE LTD	4,603,000	0.19

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 29.16% 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, 29 April 2022, at 11:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Independent Auditors' Report thereon.

   (Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Article 94 of the Constitution of the Company and where applicable, Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"):

   Mr Riko Setyabudhy Handoko (retiring under Article 94 and Rule 720(5)) **(Resolution 2)**
   [See Explanatory Note (i)]

   Mr Ng Cher Yan (retiring under Article 94 and Rule 720(5)) **(Resolution 3)**
   [See Explanatory Note (ii)]

   Mr Hadi Daryanto (retiring under Article 94) **(Resolution 4)**
   [See Explanatory Note (iii)]

3. To approve the payment of Directors' fees of S$264,238 for the financial year ending 31 December 2022, payable quarterly in arrears. (2021: S$268,446)

   (Resolution 5)

4. 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)

5. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. 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

NOTICE OF ANNUAL GENERAL MEETING

(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 fifty per centum (50%) 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;

(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 (iv)] **(Resolution 7)**

7. 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 (iv)] **(Resolution 8)**

By Order of the Board

Kiar Lee Noi
Secretary
Singapore, 14 April 2022

Explanatory Notes:

(i) Mr Riko Setyabudhy Handoko will, upon re-election as a Director of the Company, continue to serve as an Executive Director and Chief Executive Officer of the Company. Detailed information on Mr Riko Setyabudhy Handoko, who is proposed to be re-elected to the Board at this AGM, pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found under the sections entitled "Board of Directors" and "Corporate Governance Statement" in the Company's Annual Report 2021.

(ii) Mr Ng Cher Yan will, upon re-election as a Director of the Company, continue to serve as the Lead Independent Director and remain as the Chairman of the Audit Committee, and a member of the Nomination Committee, Remuneration Committee and Board Risk Committee respectively and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

The continued appointment of Mr Ng Cher Yan as an Independent Director of the Company pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST had been approved by the shareholders of the Company at the AGM held on 30 April 2021 (the "**Two-Tier Approval**"). Subject to and contingent upon the passing of Resolution 3 by shareholder of the Company at this AGM, the Two-Tier Approval for the continued appointment of Mr Ng Cher Yan, as an Independent Director of the Company, shall continue in force until the earlier of: (i) his retirement or resignation as the Independent Director; or (ii) the conclusion of the third AGM of the Company, which is by 30 April 2024.

Detailed information on Mr Ng Cher Yan, who is proposed to be re-elected to the Board at this AGM, pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found on under the sections entitled "Board of Directors" and "Corporate Governance Statement" in the Company's Annual Report 2021.

(iii) Mr Hadi Daryanto will, upon re-election as a Director of the Company, continue to serve as an Independent Director and remain as a member of the Audit Committee and Board Risk Committee respectively and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Detailed information on Mr Hadi Daryanto, who is proposed to be re-elected to the Board at this AGM, pursuant to Rule 720(6) of the Listing Manual of the SGX-ST can be found under the sections entitled "Board of Directors" and "Corporate Governance Statement" in the Company's Annual Report 2021.

(iv) The Ordinary Resolution 7 in item 6 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

NOTICE OF ANNUAL GENERAL MEETING

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, fifty per centum (50%) 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 the purpose of 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 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; and (ii) any subsequent bonus issue, consolidation or subdivision of Shares.

(v) The Ordinary Resolution 8 in item 7 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.

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 of AGM will not be sent to Members of the Company (the "**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 prior to the AGM; (iii) addressing of substantial and relevant questions prior to 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 14 April 2022. 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. **To minimise physical interactions and COVID-19 transmission risks, 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 and vote on his/her/its behalf at the AGM if such Member wishes to exercise his/her/its voting rights at the Meeting.** 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.

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 Tuesday, 19 April 2022.

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 1 Harbourfront Avenue, Keppel Bay Tower, #14-07 Singapore 098632; or

   (b) if submitted electronically, be sent via email to the Company's Share Registrar, BCAS, at 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 of the Company for the financial year ended 31 December 2021 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 "2021" section of "Annual Reports" and will also be made available on the SGX's website at the URL https://www.sgx.com/securities/company-announcements.

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 a "live" audio-visual webcast or a "live" audio-only stream (via telephone), 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 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

NOTICE OF ANNUAL GENERAL MEETING

the case of Members which are legal entities) to observe the proceedings of the AGM via a “live” audio-visual webcast or a “live” audio-only stream (via telephone) and providing them with any technical assistance where necessary;

(iii) addressing all substantial and relevant questions 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

(iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing 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 of the Company (such as his/her name, his/her presence at the AGM and any questions he/she may raise or motions he/she propose/second) may be recorded by the Company for such purpose.

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 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 the Notice of AGM dated 14 April 2022 will not be sent to Members of the Company (the "**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 to the Chairman of the Meeting 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 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 14 April 2022. 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. **To minimise physical interaction and COVID-19 transmission risks, 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 and vote on his/her/its behalf at the AGM if such Member wishes to exercise his/her/its voting rights at the Meeting.**

4. 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 Tuesday, 19 April 2022.

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 14 April 2022.

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 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 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, 29 April 2022,** at **11.00 a.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 2021 together with the Independent Auditors' Report			
2	Re-election of Mr Riko Setyabudhy Handoko as a Director			
3	Re-election of Mr Ng Cher Yan as a Director			
4	Re-election of Mr Hadi Daryanto as a Director			
5	Approval of Directors' fees amounting to S$264,238 for the financial year ending 31 December 2022, payable quarterly in arrears			
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			

*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 April 2022

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, Cap. 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. **To minimise the physical interactions and COVID-19 transmission risks, 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 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 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 pm on Tuesday, 19 April 2022.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act, Cap. 19 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Cap. 289 and who holds shares in that capacity; or

   (c) the CPF Board established by the CPF Act, Cap. 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 1 Harbourfront Avenue, Keppel Bay Tower, #14-07 Singapore 098632; or

   (b) if submitted electronically, be sent via email to the Company's Share Registrar, BCAS, at 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 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 14 April 2022.

CORPORATE INFORMATION

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)
Hadi Daryanto
(Independent Director)
Ito Sumardi
(Independent Director)

AUDIT COMMITTEE
Ng Cher Yan (Chairman)
Sim Idrus Munandar
Hadi Daryanto

NOMINATION COMMITTEE
Sim Idrus Munandar (Chairman)
Ng Cher Yan
Ito Sumardi

REMUNERATION COMMITEE
Ito Sumardi (Chairman)
Ng Cher Yan
Sim Idrus Munandar

BOARD RISK COMMITTEE
Sim Idrus Munandar (Chairman)
Eka Dharmajanto Kasih
Riko Setyabudhy Handoko
Ng Cher Yan
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.
1 Harbourfront Avenue
Keppel Bay Tower, #14-07
Singapore 098632
Tel: 6536 5355
Fax: 6536 1360

AUDITORS
Moore Stephens LLP
10 Anson Road #29-15
International Plaza
Singapore 079903

AUDIT PARTNER-IN-CHARGE
Willy Ng
(Appointed on 21 October 2019)

SAMKO TIMBER LIMITED

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