

SAMKO TIMBER LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 200517815M)

PROPOSED DISPOSAL OF TWO PARCELS OF LAND AND THE ACCOMPANYING BUILDINGS LOCATED IN TANGERANG, BANTEN / WEST JAVA, INDONESIA OWNED BY PT SUMBER GRAHA SEJAHTERA, A SUBSIDIARY OF SAMKO TIMBER LIMITED

1. INTRODUCTION

- 1.1. The board of directors (the “**Board**” or “**Directors**”) of Samko Timber Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its subsidiary, PT Sumber Graha Sejahtera (the “**Vendor**”), has entered into a deed of binding sale and purchase agreement of land and building No. 6 executed before Mr Afrizal SH., a Notary in Tangerang, Indonesia, (the “**SPA**”) on 9 October 2017 with Mr Sugiarto, Mr Ronny Kurniawan, Mr Garry Tjoa, and Mr Viperi Limiardi (collectively, the “**Purchasers**”) in relation to the proposed disposal by the Vendor to the Purchasers of two parcels of land more particularly detailed in Section 2.1 of this Announcement (collectively, the “**Assets**”) (the “**Proposed Disposal**”).
- 1.2. Upon completion of the SPA, the Vendor would have disposed of its entire interest in the Assets, and the Purchasers would have jointly acquired the entire interest of the Assets.
- 1.3. The Proposed Disposal constitutes a “**major transaction**” under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Rules**”) and is subject to the approval of the shareholders of the Company (the “**Shareholders**”) being obtained at an extraordinary general meeting to be convened (the “**EGM**”). For further details on the relative figures in respect of the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Rules, please refer to Section 2.4 of this Announcement.

2. THE PROPOSED DISPOSAL

2.1. Information on the Assets and the Purchasers

The Assets to be disposed comprise:

- (a) a parcel of land with an area of 2.875 square metres located in Sub District Sentul Jaya, District Balaraja, Regency Tangerang, Banten Province, the Republic of Indonesia (“**Indonesia**”) registered in the name of the Vendor as recorded in the following documents:
 - (i) the Certificate of the Right of Building (*Hak Guna Bangunan*) No. 00058 / Desa Sentul Jaya, issued by the land agency office of the Regency Tangerang (*Kepala Kantor Pertanahan Kabupaten Tangerang*) (the “**KKPKT**”) on 17 December 2013; and
 - (ii) the Measurement Letter (*Surat Ukur*) dated 19 November 2013 (No. 23 / Sentul Jaya / 2013); and
- (b) a parcel of land with an area of 50.325 square metres located in Sub District Sentul, District Balaraja, Regency Tangerang, Jawa Barat Province, Indonesia registered in the name of the Vendor as recorded in the following documents:
 - (i) the Certificate of the Right of Building (*Hak Guna Bangunan*) No. 7 / Desa Sentul issued by the KKPKT on 8 January 1993; and
 - (ii) the Situation Map (*Gambar Situasi*) dated 7 January 1993 No. 241,

(the parcels of land described above shall collectively be referred to as the “**Disposal Land**”), together with all buildings located thereon, as described and stipulated in the Appendix to this Announcement, and all of the appurtenances which are planted / located on the said Disposal Land, due to its nature, purpose, or based on the (relevant) laws be considered to be immovable assets and all the inherent rights over it under the laws of Indonesia.

Save for the Vendor, there are no other interest-holders of the Assets.

The Disposal Land is currently being utilised by the Vendor for the operation of one of its factory engaged in the production plywood and other wood products (the “**Factory**”).

The Purchasers are each an Indonesian citizen, acting jointly in acquiring the Disposal Land, are third parties independent of the Company, and are not related to any of the Directors, the controlling Shareholders of the Company or their respective associates. Information on the Purchasers is based solely on information and representations provided by the Purchasers.

2.2. Consideration

The consideration for the sale of the Assets to the Purchasers under the SPA is Indonesian Rupiah (“**IDR**”) 70,001,000,000 (which is approximately S\$7,045,000 based on an approximate exchange rate of S\$1.00 : IDR 9,936.17 as at 9 October 2017) (the “**Consideration**”).

The Consideration is to be paid by the Vendor to the Purchasers by way of cash in the following manner:

- (a) an initial deposit of IDR 500,000,000 paid by the Purchasers to the Vendor (the “**Deposit**”), equivalent to approximately 0.71% of the Consideration, within 3 calendar days after the acceptance by the Vendor of the Consideration as well as the general terms and conditions of the Proposed Disposal proposed by the Purchasers;
- (b) the sum of IDR 7,000,100,000, equivalent to 10% of the Consideration, upon the execution of the SPA;
- (c) the sum of IDR 7,000,100,000, equivalent to 10% of the Consideration, within 30 calendar days of the date of execution of the SPA;
- (d) the sum of IDR 7,000,100,000, equivalent to 10% of the Consideration, within 60 calendar days of the date of execution of the SPA; and
- (e) the sum IDR 48,500,700,00, which is the difference between IDR 49,000,700,000 (being 70% of the Consideration) and the Deposit, within 30 calendar days of fulfilment of all conditions precedent and requirements pursuant to Article 4 of the SPA,

(the sums described in Sections 2.2 (a), (b), (c), and (d) above constitute and shall collectively be referred to as the “**Down Payment**”).

The Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchasers (collectively, the “**Parties**”) and on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the net tangible assets (“**NTA**”) of the Assets, which is IDR 26,865,000,000 based on the latest unaudited consolidated accounts of the Vendor as at 30 June 2017 (approximately equivalent to S\$2,703,758 based on an approximate exchange rate of S\$1.00 : IDR 9,936.17 as at 9 October 2017).

The Consideration includes value added tax payable on the Proposed Disposal and excludes the following:

- (i) fees, costs, and expenses which have been agreed by the Parties to be borne and paid by the Vendor, including:

- (1) all sales / income tax (*pajak penghasilan*) and non-tax state income (*pendapatan negara bukan pajak*) on the Proposed Disposal of the Assets;
 - (2) all arrears owing in relation to, amongst others, outstanding land and building tax, or electricity tax (*Seluruh Tunggakan-tunggalan Pajak Bumi dan bangunan, Listrik, dsb*), etcetera (if any);
 - (3) 50% of the notary fee incurred in relation to the preparation and execution of the SPA and the deed of sale and purchase agreement (or deed of transfer), as well as the cost of re-registering the land certificates in relation to the Disposal Land in the names of the Purchasers or such other person(s) as may be designated by the Purchasers;
 - (4) all fees and costs incurred in relation to the discharge of the Assets; and
 - (5) all fees and costs incurred for arranging and obtaining the transfer of rights license and permit from the relevant head of the land agency office in Indonesia (*Kepala Kantor Badan Pertanahan Nasional*); and
- (ii) fees, costs, and expenses which have been agreed by the Parties to be jointly borne and paid by the Purchasers, including:
- (1) all costs incurred in relation to the formalisation of the land and building acquisition charge (*Biaya Perolehan Hak atas Tanah dan Bangunan*) under the laws of Indonesia;
 - (2) all costs incurred in relation to the conduct of the investigation / checking of the original land certificates of the Disposal Land at the national land agency office of Indonesia (*Kantor Badan Pertanahan Nasional*) (the "**BPN**") and/or KKPKT;
 - (3) 50% of the notary fee incurred in relation to the preparation and execution of the SPA and the deed of sale and purchase agreement (or deed of transfer), as well as the cost of re-registering the land certificates in relation to the Disposal Land in the name(s) of the Purchasers or such other person(s) as may be designated by the Purchasers; and
 - (4) all other costs incurred in relation to the Purchasers' ownership and usage of the Assets (if required).

2.3. Other salient terms of the SPA

In addition to the Consideration, other salient terms of the SPA include the following:

2.3.1. Penalty

In the event that the Purchasers fail to make payment of the Consideration in the manner as set out in Section 2.2 above, the Purchasers will be imposed with a late payment penalty in the amount of 0.1% of the Consideration for each day of default (late payment). In the event that the Purchasers do not fulfil their obligations under the SPA to make payment within 1 month of the date on which any of the payments described in Section 2.2 above is due, the SPA is automatically terminated, and any part of the Down Payment paid to the Vendor as at the time of default as well as the Deposit is forfeited by each of the Purchasers to the Vendor.

2.3.2. Conditions precedent and completion

The Parties agree that the closing of the SPA shall take place within 30 calendar days following the fulfilment of the following conditions precedent:

- (a) approval from Shareholders for the transactions contemplated in the SPA being fully and duly obtained by the Vendor;

- (b) consent, license, and/or permit (the “**Transfer Approval**”) for the transfer of title of rights over the Disposal Land from the head of the relevant BPN office being obtained by the Vendor;
- (c) registration of the release of the relevant pledge or mortgage (*Hak Tanggungan* security rights) over the Assets being processed by PT Bank OCBC NISP Tbk and the relevant BPN office;
- (d) investigation / checking of the original land certificates of the Disposal Land at the BPN being performed by the Purchasers; and
- (e) discharge over the Assets having been conducted by the Vendor.

2.3.3. Long stop date

The aforementioned conditions precedent in Section 2.3.2 must be fulfilled by the relevant Party within 6 calendar months of the date of the execution of the SPA (or such other period as agreed upon amongst the Parties, with due observance on the validity of the Transfer Approval as stipulated in Section 2.3.2(b) above).

2.4. **Relative figures under Chapter 10 of the Listing Rules in relation to the Proposed Disposal**

For the purposes of Chapter 10 of the Listing Rules, the relative figures computed on the bases set out in Rule 1006 of the Listing Rules based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 30 June 2017 (“**HY2017**”) are set out below:

BASE OF CALCULATION		RELATIVE FIGURES (%)
(a)	The net asset value (“ NAV ”) of the Assets to be disposed of, compared with the Group’s NAV	39% ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the Assets disposed of, compared with the Group’s net profits	8% ⁽³⁾
(c)	The aggregate value of the Consideration received, compared with the Company’s market capitalisation ⁽⁴⁾ of S\$80,720,000 ⁽⁵⁾ based on the total number of issued shares excluding Treasury Shares	8%
(d)	The number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities of the Company previously in issue	This basis is not applicable as the Proposed Disposal does not entail the issuance of equity securities by the Company as consideration for the Proposed Disposal
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves	This basis is not applicable as it is only applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company

Notes:

- (1) Based on the NAV of the Assets, being approximately IDR 26,865,000,000 (which is approximately equivalent to S\$2,703,758 based on an approximate exchange rate of S\$1.00 : IDR 9,936.17 as at 9 October 2017) as at 30 June 2017, compared with the Group's NAV, being approximately S\$6,967,473 as at 30 June 2017, based on the latest announced consolidated accounts of the Group for HY2017. No valuation of the Assets was commissioned for the purpose of the Proposed Disposal. The NAV of the Assets as at 30 June 2017 was in turn based on the valuation commissioned by the Company for the purposes of the preparation of the Company's annual report for the financial year ended 31 December 2016 ("**FY2016**").
- (2) Under Rule 1002(3)(b) of the Listing Rules, "**net profits**" means profit or loss before income tax, minority interests and extraordinary items.
- (3) The net profits attributable to the Assets for the purposes of this calculation is computed based on the unaudited net profits of the Vendor for HY2017 of IDR 33,864,000,000 (which is approximately S\$3,408,138 based on an approximate exchange rate of S\$1.00 : IDR 9,936.17 as at 9 October 2017). The Group's unaudited net loss for HY2017 was S\$40,999,600.
- (4) Under Rule 1002(5) of the Listing Rules, "**market capitalisation**" is determined by multiplying the number of Shares in issue by the weighted average price of Shares transacted on 6 October 2017, being the Market Day preceding the date of the SPA.
- (5) The Company's market capitalisation is computed based on the number of issued Shares on 6 October 2017 of 2,374,117,647 Shares, and the weighted average price of Shares transacted on 6 October 2017 of S\$0.034 per Share.

As the relative figure computed on the basis set out in Rule 1006(a) of the Listing Rules exceeds 20%, the sale of Assets under the Proposed Disposal constitutes a "**major transaction**" under Chapter 10 of the Listing Rules and is therefore subject to Shareholders' approval.

2.5. Rationale and benefits of the Proposed Disposal

As previously announced by the Company, the Group was undertaking a reorganisation of its Group structure in order to streamline its operations. The Board, after careful consideration, is of the view that it is in the best interests of the Group to (i) undertake the Proposed Disposal as the Proposed Disposal presents a good opportunity for the Group to realise cash flow for strengthening the Group's working capital, and (ii) relocate the operations of the Factory to another parcel of land located in Jambi, Sumatera, Indonesia owned by the Group (the "**Relocation**"). The Relocation is intended to increase cost efficiency of the operations of the Group as the labour costs in Jambi Sumatera, Indonesia is expected to be lower than that of Tangerang, Banten, Indonesia. This is intended to in turn enhance value for Shareholders over the long term.

The Board is of the view that the Proposed Disposal will not have any material effect on the Group's remaining and future business operations. After taking into account the above and the current operating conditions and the prospects of the Assets, the Board after careful consideration is of the view that the Consideration is fair and reasonable and that the Proposed Disposal is in the best interests of the Group.

2.6. Intended use of proceeds from the Proposed Disposal

The Company expects to receive net proceeds of approximately S\$6,111,897 (after deducting estimated expenses of approximately S\$933,172) from the Proposed Disposal. The net proceeds are intended to be used to meet cash flow and capital expenditure requirements for expansion and development of the other businesses of the Group, and for the Group's general working capital as the Directors may deem fit in their absolute discretion.

2.7. Value attributable to the Assets

2.7.1. Book value

Based on the Group's unaudited consolidated financial statements of the Group for HY2017, the book value attributable to the Assets as at 30 June 2017, is approximately IDR 28,865,000,000 (which is approximately equivalent to S\$2,703,758 based on an approximate exchange rate of S\$1.00 : IDR 9,936.17 as at 9 October 2017).

Based on the Group's unaudited consolidated financial statements of the Group for HY2017, the completion of the Proposed Disposal is expected to result in a gain of approximately IDR 33,864,000,000 (which is approximately equivalent to S\$3,408,138 based on an approximate exchange rate of S\$1.00 : IDR 9,936.17 as at 9 October 2017) to the Group.

2.7.2. NTA

Based on the Group's unaudited consolidated financial statements of the Group for HY2017, the NTA attributable to the Assets as at 30 June 2017 is approximately IDR 26,865,000,000 (which is approximately equivalent to S\$2,703,758 based on an approximate exchange rate of S\$1.00 : IDR 9,936.17 as at 9 October 2017).

2.7.3. Latest available open market value

The open market value of the Assets is not available. No valuation of the Assets was commissioned for the purpose of the Proposed Disposal. The NAV of the Assets as at 30 June 2017 was in turn based on the valuation commissioned by the Company for the purposes of the preparation of the Company's annual report for FY2016.

2.8. Financial effects of the Proposed Disposal

The financial effects of the Proposed Disposal on the Group are set out below. The financial effects are shown for illustrative purposes only and they do not necessarily reflect the exact future financial position and performance of the Group immediately after completion of the Proposed Disposal. The financial effects set out below have been calculated using the audited consolidated financial statements of the Group for FY2016.

2.8.1. Share Capital

As the Proposed Disposal does not involve the issue and allotment of any new Shares, the Proposed Disposal will not have any impact on the Share capital of the Company.

2.8.2. NTA

Assuming that the Proposed Disposal had been completed on 31 December 2016, the effect of the Proposed Disposal on the NTA per Share of the Group is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	S\$6,967,473	S\$10,375,612
Number of Shares ('000)	2,374,050,505	2,374,050,505
NTA per Share (S\$ cents)	S\$0.0029	S\$0.0044

2.8.3. Earnings per Share

Assuming that the Proposed Disposal had been completed on 1 January 2016, the effect of the Proposed Disposal on the earnings per Share of the Group is as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net (loss)/profit attributable to Shareholders (S\$'000)	(S\$48,148,331)	(S\$44,740,193)
Weighted average number of Shares ('000)	2,374,050,505	2,374,050,505
Earnings / (loss) per Share - basic (S\$ cents)	(S\$0.020)	(S\$0.019)

2.9. **Service Contracts**

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

3. **DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the SPA is available for inspection at the Company's registered office at 7500A Beach Road, #08-305 The Plaza, Singapore 199591 during normal business hours for a period of 3 months from the date of this Announcement.

4. **EGM AND CIRCULAR TO SHAREHOLDERS**

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed Disposal and a circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Directors in relation thereto and enclosing the notice of EGM in connection therewith, will be dispatched to the Shareholders in due course.

5. **CAUTIONARY STATEMENT**

Shareholders are advised to exercise caution in trading their Shares. The Proposed Disposal is subject to numerous conditions, and there is no certainty or assurance as at the date of this Announcement that the Proposed Disposal will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments in relation thereto. Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Riko Setyabudhy Handoko
Executive Director and Chief Executive Officer
9 October 2017

APPENDIX – BUILDINGS LOCATED ON THE DISPOSAL LAND

1. DETAILS OF THE FACTORY

Address : Jalan Raya Serang, Sentul and Sentul Jaya Village,
Balaraja Sub-Regency, Tangerang Regency, Banten
Province, Indonesia

Land Area (square metres) : Total approximately 53,200

2. DESCRIPTION OF FACTORY BUILDINGS

(a) Security building

Number of floors : 1
Construction : Concrete (Beton)
Floor : Ceramic
Year constructed : 2008
Condition : Good
Area (square metres) : 35

(b) Finger building

Number of floors : 1
Construction : Concrete (beton)
Floor : Ceramic
Year constructed : 2008
Condition : Good
Area (square metres) : 20

(c) Canteen building

Number of floors : 1
Construction : Concrete (beton)
Floor : Ceramic
Year constructed : 2008
Condition : Good
Area (square metres) : 300

(d) Main office building

Number of floors	:	2
Construction	:	Steel (baja)
Floor	:	Ceramic
Year constructed	:	2008
Condition	:	Good
Area (square metres)	:	540

(e) Prayer / Musholla building

Number of floors	:	1
Construction	:	Concrete (beton)
Floor	:	Ceramic
Year constructed	:	2008
Condition	:	Good
Area (square metres)	:	64

(f) Research & Development building

Number of floors	:	2
Construction	:	Concrete (beton)
Floor	:	Ceramic
Year constructed	:	2008
Condition	:	Good
Area (square metres)	:	540

(g) Spare-parts building

Number of floors	:	1
Construction	:	Steel (baja)
Floor	:	Steel plate
Year constructed	:	2008
Condition	:	Good
Area (square metres)	:	648

(h) Security post building

Number of floors	:	1
Construction	:	Wood
Floor	:	Cement
Year constructed	:	2008
Condition	:	Fair
Area (square metres)	:	20

(i) Maintenance building

Number of floors	:	1
Construction	:	Steel (baja)
Floor	:	Steel plate
Year constructed	:	2008
Condition	:	Good
Area (square metres)	:	276

(j) Toilet (2 units)

Number of floors	:	1
Construction	:	Concrete (beton)
Floor	:	Cement
Year constructed	:	2008
Condition	:	Good / Fair
Area (square metres)	:	36

(k) Factory building and warehouse

Number of floors	:	1
Construction	:	Steel (Baja)
Floor	:	Concrete Plate (Plat Beton)
Year constructed	:	2008
Condition	:	Good
Area (square metres)	:	27.784 M2
Equipment	:	(i) Perusahaan Listrik Negara ("PLN") electricity plant supplying 1.665 kilo-volt-ampere ("kVA") of power (ii) Water wells

(l) Other infrastructures

Factory road / Area (square metres)	:	Asphalt / 3.69
Factory fence	:	Concrete plate
PLN Electricity Plant	:	1.665 kVA
Telephone connection	:	PT Telekomunikasi Indonesia] phone-line connection
Air conditioner units available	:	62