



AsiaTeak Thailand Valuation Report 2023

We need to report that there has been an unprecedented market devaluation for teak logs in Thailand due to a huge surplus of teak coming into Thailand from Laos.

The Laos Government has been experiencing extreme economic pressure (see references below). To avoid defaulting on their sovereign debt, they have been selling off whatever natural assets they can to raise foreign revenue. As they are a major producer of teak, and with Thailand being a target for this supply (both countries are members of ASEAN, logistics are easy and Thai is a major teak manufacturer), it is not difficult for them to sell into the Thai market. The effect of this is to reduce the market price of teak to a point where it is simply uneconomic for Thai plantation owners to harvest and sell their teak.

We became aware of this in February 2023 during our annual audits when we were seeking customers for our teak. We were hoping that this would be a short-term problem, but the situation remains dire. Added to this, many teak manufacturers and traders have used this as an opportunity to buy large stocks of teak and so even if Laos can recover economically, the market for teak will remain low for many years to come. To put this into perspective, we

received a recent offer for some of our teak assets in Thailand at 90% below the value we were expecting.

This puts AsiaTeak in a very difficult position as our plan and contracts indicate a harvest window of between January 2024 and December 2026. However, right now, and for the foreseeable future, it is simply not sensible to harvest and sell the logs. Therefore, we are looking at alternative ways we can release the value of our trees. One option is to keep the trees in the ground until the market recovers. This would mean that they will continue to grow and with the price per cubic meter being significantly higher for larger logs, the final value could be higher than originally forecast. The downside is that repayments to clients would be delayed for many years. Another option is to try and sell the plantations to a third-party investor who can take advantage of the increase in value. There are several “green” funds who might also have an interest in the carbon capture element. I am currently pursuing this and all options.

In the meantime, this unfortunately means that we cannot put a current value on our Thai trees, hence the delay in providing this information. We realised that we cannot delay any longer and so decided to write and inform all our Thai clients of this situation. Please be assured that the financial interests of both AsiaTeak and our major financial backer are aligned with our clients so it is in all our interests to achieve the best price possible which we will endeavour to do.

We are sorry that this is not good news but we are doing all we can to find a reasonable solution.

<https://www.worldbank.org/en/country/lao/publication/lao-economic-monitor-may-2023-addressing-economic-uncertainty-key-findings>

<https://credendo.com/en/knowledge-hub/laos-downgrade-67-77-mlt-political-risk#:~:text=Impact,revenues%20over%20the%20same%20period.>