



## General Announcement

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* Company name	ASIATIC DEVELOPMENT BERHAD
* Stock name	ASIATIC
* Stock code	2291
* Contact person	MS LOH BEE HONG
* Designation	COMPANY SECRETARY
* Contact number	03-23336121
E-mail address	elaine.loh@genting.com

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Subject \*: UPDATE ON PROPOSED JOINT VENTURE FOR OIL PALM CULTIVATION IN KABUPATEN KETAPANG, PROVINSI KALIMANTAN BARAT, REPUBLIC OF INDONESIA

**Note:** If the announcement is a long announcement, please summarize the announcement in the contents and enter the details of the announcement in the Announcement Details or attached the full details of the announcement as attachment.

### Contents \*:-

*(This field is to be used for the summary of the announcement)*

We refer to our announcements dated 8 June 2005, 22 May 2006, 1 December 2006, 24 April 2007, 6 December 2007, 13 August 2008 and 19 March 2009 in respect of the proposed joint venture ("JV") for oil palm cultivation in Kabupaten Ketapang, Provinsi Kalimantan Barat, Republic of Indonesia. The proposed JV marks the beginning of the partnership between Asiatic Development Berhad ("Asiatic" or the "Company") and the Sepanjang Group, an established palm oil producer based in the Republic of Indonesia. To date, both parties have entered into a total of 6 JV agreements, all of which were announced previously. 2 of the JV agreements have since become unconditional, as announced on 6 December 2007 and 19 March 2009.

The Sepanjang Group undertook an internal re-organisation of its corporate structure and operations. The re-organisation within the Sepanjang Group necessitated the restructuring of the remaining 4 JV agreements. Therefore, both Asiatic and the Sepanjang Group have mutually agreed that the remaining 4 JV agreements dated 8 June 2005, which will all lapse on 8 June 2009 will not be extended. In their place, new agreements were entered into on 5 June 2009 to enable the proposed joint venture with the Sepanjang Group for oil palm cultivation ("Proposed JV") to proceed.

For further details on the Proposed JV, please refer to the attached announcement.

### Announcement Details \*:-

*(This field is for the details of the announcement, if applicable)*

### Attachment(s) \*:- (please attach the attachments here)

Ⓞ [Announcement- JV 5 June 2009.pdf](#)

**Tables Section** - This section is to be used to create and insert tables. Please make the appropriate reference to the table(s) in the Contents of the Announcement:

## UPDATE ON PROPOSED JOINT VENTURE FOR OIL PALM CULTIVATION IN KABUPATEN KETAPANG, PROVINSI KALIMANTAN BARAT, REPUBLIC OF INDONESIA

### 1. INTRODUCTION

We refer to our announcements dated 8 June 2005, 22 May 2006, 1 December 2006, 24 April 2007, 6 December 2007, 13 August 2008 and 19 March 2009 in respect of the proposed joint venture ("**JV**") for oil palm cultivation in Kabupaten Ketapang, Provinsi Kalimantan Barat, Republic of Indonesia. The proposed JV marks the beginning of the partnership between Asiatic Development Berhad ("**Asiatic**" or the "**Company**") and the Sepanjang Group, an established palm oil producer based in the Republic of Indonesia. To date, both parties have entered into a total of 6 JV agreements, all of which were announced previously. 2 of the JV agreements have since become unconditional, as detailed below.

As announced on 6 December 2007, the JV agreement entered into between Sri Nangatayap Pte Ltd, an indirect wholly-owned subsidiary of Asiatic, PT Mulia Agro Investama ("**PTMulia**") and Borneo Palma Mulia Pte Ltd ("**BPalma**") became unconditional on 5 December 2007. Both PTMulia and BPalma are part of the Sepanjang Group. The JV company, PT Sepanjang Intisurya Mulia ("**SIS Mulia**"), has since secured *Hak Guna Usaha* ("**HGU**"), or Rights to Cultivate certificate for an area of 14,261 hectares. The development activities have been progressing well, with approximately 7,594 hectares of oil palm planted as at 31 May 2009 whilst land clearing activities are ongoing for the remaining area which will be planted progressively.

In addition to the above, it was announced on 19 March 2009 that Ketapang Agri Holdings Pte Ltd, another indirect wholly-owned subsidiary of Asiatic, had completed the subscription of shares in another JV company, PT Sawit Mitra Abadi ("**Mitra Abadi**"), resulting in Mitra Abadi becoming an indirect subsidiary of the Company. The other shareholders in Mitra Abadi, namely Palma Citra Investama Pte Ltd ("**Palma**") and PT Sawit Mandira ("**PTMandira**") are part of the Sepanjang Group. Mitra Abadi intends to carry out oil palm cultivation within the vicinity of the development area of SIS Mulia. The issuance of HGU for an area of approximately 8,383 hectares by the relevant Indonesian authorities is pending. Land clearing works are expected to commence by the third quarter of this year.

The aggregate land area in Kabupaten Ketapang under the partnership between Asiatic and the Sepanjang Group through SIS Mulia and Mitra Abadi amounts to about 22,644 hectares.

Further to the above developments in Indonesia, the Sepanjang Group undertook an internal re-organisation of its corporate structure and operations. The re-organisation within the Sepanjang Group necessitated the restructuring of the remaining 4 JV agreements. Therefore, both Asiatic and the Sepanjang Group have mutually agreed that the remaining 4 JV agreements dated 8 June 2005, which will all lapse on 8 June 2009 will not be extended. In their place, the Board of Directors of Asiatic wishes to announce that the following new agreements were entered into on 5 June 2009 to enable the proposed joint venture with the Sepanjang Group for oil palm cultivation ("**Proposed JV**") to proceed:

- (i) JV Agreement between Asiatic Equities (S'pore) Pte Ltd ("**AEquities**"), BPalma and PTMulia. AEquities is an indirect wholly-owned subsidiary of Asiatic whilst BPalma and PTMulia are part of the Sepanjang Group.

Subject to relevant approvals being obtained, AEquities will subscribe for 700 ordinary shares of Rp1,000,000 each representing 70% of the enlarged issued and paid-up voting share capital in a JV company, PT Citra Karya Cemerlang ("**PTCKC**"). BPalma's and PTMulia's shareholding in the enlarged issued and paid-up voting share capital of PTCKC will be 25% and 5% respectively.

- (ii) JV Agreement between Sri Kenyalang Pte Ltd ("**Kenyalang**"), Palma and PTMandira. Kenyalang is an indirect wholly-owned subsidiary of Asiatic whilst Palma and PTMandira are part of the Sepanjang Group.

Subject to relevant approvals being obtained, Kenyalang will subscribe for 700 ordinary shares of Rp1,000,000 each representing 70% of the enlarged issued and paid-up voting share capital in a JV company, PT Sungai Pawan Lestari ("**PTSPL**"). Palma's and PTMandira's shareholding in the enlarged issued and paid-up voting share capital of PTSPL will be 25% and 5% respectively.

- (iii) JV Agreement between Sandai Maju Pte Ltd ("**Sandai**"), BPalma and PTMulia. Sandai is an indirect wholly-owned subsidiary of Asiatic whilst BPalma and PTMulia are part of the Sepanjang Group.

Subject to relevant approvals being obtained, Sandai will subscribe for 700 ordinary shares of Rp1,000,000 each representing 70% of the enlarged issued and paid-up voting share capital in a JV company, PT Citra Sawit Cemerlang ("**PTCSC**"). BPalma's and PTMulia's shareholding in the enlarged issued and paid-up voting share capital of PTCSC will be 25% and 5% respectively.

- (iv) JV Agreement between Ketapang Holdings Pte Ltd ("**KHoldings**"), Palma and PTMandira. KHoldings is an indirect wholly-owned subsidiary of Asiatic whilst Palma and PTMandira are part of the Sepanjang Group.

Subject to relevant approvals being obtained, KHoldings will subscribe for 700 ordinary shares of Rp1,000,000 each representing 70% of the enlarged issued and paid-up voting share capital in a JV company, PT Permata Sawit Mandiri ("**PTPSM**"). Palma's and PTMandira's shareholding in the enlarged issued and paid-up voting share capital of PTPSM will be 25% and 5% respectively.

The above 4 JV agreements are hereinafter collectively referred to as the "**JV Agreements**".

AEquities, Kenyalang, Sandai and KHoldings are hereinafter referred to singularly as "**Asiatic's Subsidiary**" and collectively as "**Asiatic's Subsidiaries**".

BPalma, PTMulia, Palma and PTMandira are hereinafter referred to singularly as the "**JV Partner**" and collectively as "**JV Partners**".

PTCKC, PTSPL, PTCSC and PTPSM are hereinafter referred to singularly as the "JV Company" and collectively as "JV Companies".

## 2. DETAILS OF THE JV AGREEMENTS

### 2.1 Structure of the JV Companies

Under the JV Agreements, Asiatic's Subsidiaries or their nominees shall subscribe for, and JV Partners shall cause each of the JV Companies to issue and allot to Asiatic's Subsidiaries, 700 new ordinary shares of Rp1,000,000 each representing 70% of its enlarged issued and paid up voting share capital at the nominal value of the shares. The resultant shareholding structure of the JV Companies is as follows:

JV Company	Asiatic's Subsidiaries		JV Partners			
	Name	Voting Equity	Name	Voting Equity	Name	Voting Equity
PTCKC	AEquities	70%	PTMulia	5%	BPalma	25%
PTSPL	Kenyalang	70%	PTMandira	5%	Palma	25%
PTCSC	Sandai	70%	PTMulia	5%	BPalma	25%
PTPSM	KHoldings	70%	PTMandira	5%	Palma	25%

The total subscription monies payable by Asiatic's Subsidiaries to the 4 JV Companies of approximately RM904,000 computed based on Rp700 million or RM226,000 per JV Company is to be satisfied wholly in cash and to be financed by Asiatic using internally generated funds and/or external borrowings of Asiatic and its subsidiaries ("Asiatic Group"). Save as disclosed in the announcement, there are no liabilities to be assumed by Asiatic's Subsidiaries under the JV Agreements.

### 2.2 Information on the JV Companies

As at 5 June 2009, the details of the JV Companies, all of which were incorporated under the laws of the Republic of Indonesia are as follows:

JV Company	Date of incorporation	Voting Share capital		JV Partners	
		Authorised Rp million	Issued and paid-up RP million	Name	Voting Equity
PTCKC	31 March 2005	1,000	300	PTMulia	100%
PTSPL	21 March 2005	1,000	300	PTMandira	100%
PTCSC	30 July 2004	1,000	300	PTMulia	100%
PTPSM	30 July 2004	1,000	300	PTMandira	100%

The purpose of the JV Companies is to engage in plantation business in Indonesia including cultivation of oil palm, operation of palm oil mills, production, sale and marketing of palm oil and palm products and any other related downstream activities.

PTCSC and PTPSM, through the JV Partners, have secured *Izin Lokasi*, or Location Permit and *Izin Usaha Perkebunan* ("IUP"), or Plantation Business License for 2 more or less contiguous parcels of land of 15,119 hectares and 17,360 hectares respectively in Kabupaten Ketapang, Provinsi Kalimantan Barat, Republic of Indonesia. PTCKC and PTSPL, through the JV Partners, have applied for the *Izin Lokasi*, or Location Permit for 2 more or less contiguous parcels of land in Kabupaten Ketapang, Provinsi Kalimantan Barat, Republic of Indonesia. The proposed development land areas for PTCKC and PTSPL are about 9,200 hectares and about 12,000 hectares respectively. The total of the 4 above-mentioned proposed development land areas is approximately 53,679 hectares. The above-mentioned parcels of land are collectively referred to as the "Lands".

### 2.3 Salient terms of the JV Agreements

2.3.1 The completion of the JV Agreements is subject to, inter alia, the following conditions:

- (i) the approval of Bank Negara Malaysia;
- (ii) the approval of Badan Koordinasi Penanaman Modal ("BKPM") (or Investment Coordinating Board of the Republic of Indonesia) for the change of shareholding of the JV Companies in relation to the admittance of Asiatic's Subsidiaries as shareholders in the proportion described in Section 2.1 above;
- (iii) the procurement and/or maintenance of *Izin Lokasi* and IUP; and
- (iv) due diligence study being conducted by Asiatic's Subsidiaries and its appointed advisers and/or auditors on the corporate and legal standing of JV Companies, the licenses and/or permits of JV Companies, the status of the Lands and any other aspects of the JV Companies and the Lands that Asiatic's Subsidiaries think fit, and the results of the due diligence being satisfactory to Asiatic's Subsidiaries.

Notwithstanding completion of the JV agreements, the approvals, licences and permits required for the implementation of the project contemplated in the JV Agreements must be obtained no later than 31 December 2011.

2.3.2 The JV Partners will procure and maintain the HGU of the Lands in the name of the respective JV Companies at a pre-determined valuation of RM1,500 per hectare based on the actual land size, as determined by the relevant authorities ("Gross Area").

The JV Partners will not be entitled to claim any excess amount incurred over the pre-determined value. Such contribution shall form 30% of the total contribution to the JV Companies by the JV Partners. In addition, the JV Partners will be responsible for procuring all approvals in the name of the respective JV Companies that are necessary for undertaking the project under the respective JV Agreements.

The HGU term for the Land shall not be less than 30 years with a right of extension for another 30 years. In arriving at the total price to be paid for the Gross Area, the unusable area shall not exceed 10% of the Gross Area otherwise an adjustment will be made to the total price in accordance with the JV Agreements.

- 2.3.3 Asiatic's Subsidiaries will contribute cash progressively in accordance with the development plan determined by the JV Companies. Their contribution will be up to RM3,500 per hectare but shall at no time exceed 70% of the total contribution to each of the JV Company.
- 2.3.4 The above contribution by Asiatic's Subsidiaries and JV Partners shall be made in exchange for Class B shares to be issued by each of the JV Company or as shareholders' equity advance, or a combination of both, all of which carry no voting shares.
- 2.3.5 Under the Indonesian regulations, the JV Companies shall be required to observe the "Inti/Plasma" Scheme for the granting of the HGU. Under the scheme, HGU is granted to an Inti (nucleus) company as part of its plantation development project, that contributes to the enhancement of local socio-economic standards through the rendering of assistance to local small holders (plasma) in developing their land for oil palm cultivation.
- 2.3.6 Asiatic's Subsidiaries and JV Partners shall cause the JV Companies to enter into a General Management and Administrative Services and Technical Services Agreement and a Sales and Marketing Services Agreement with Asiatic's Subsidiaries or its designated nominee whereby Asiatic's Subsidiaries or its designated nominee shall be appointed as the sole and exclusive provider of these services to the JV Companies.

#### **2.4 Information on the JV Partners**

- (i) BPalma was incorporated in Singapore on 20 October 2005 under the laws of Singapore. The present authorised share capital of BPalma is SGD100,000 comprising 100,000 ordinary shares of SGD1.00 each, of which 2 ordinary shares have been issued and fully paid-up. BPalma is principally an investment holding company.

- (ii) PTMulia was incorporated in the Republic of Indonesia on 21 March 2005 under the laws of the Republic of Indonesia. The present authorised share capital of PTMulia is Rp32,000,000,000 comprising 32,000 ordinary shares of Rp1,000,000 each, of which 8,000 ordinary shares have been issued and fully paid-up. PTMulia is principally engaged in oil palm plantation.
- (iii) Palma was incorporated in Singapore on 17 October 2005 under the laws of Singapore. The present authorised share capital of Palma is SGD100,000 comprising 100,000 ordinary shares of SGD1.00 each, of which 2 ordinary shares have been issued and fully paid-up. Palma is principally an investment holding company.
- (iv) PTMandira was incorporated in the Republic of Indonesia on 31 March 2005 under the laws of the Republic of Indonesia. The present authorised share capital of PTMandira is Rp10,000,000,000 comprising 10,000 ordinary shares of Rp1,000,000 each, of which 8,000 ordinary shares have been issued and fully paid-up. PTMandira is principally engaged in oil palm plantation.

The above JV Partners are part of the Sepanjang Group.

## 2.5 Information on the Asiatic's Subsidiaries

The details of Asiatic's Subsidiaries, all of which are wholly-owned subsidiaries of Mediglove which in turn is a wholly-owned subsidiary of Asiatic and incorporated in the Republic of Singapore are as follows:

Asiatic's Subsidiaries	Date of Incorporation	Share Capital	
		Authorised	Issued and Paid-up
		SGD '000	SGD
AEquities	2 June 2005	100	2
Kenyalang	2 June 2005	100	2
Sandai	3 June 2005	100	2
KHoldings	2 June 2005	100	2

Each of Asiatic's Subsidiaries has an authorised share capital of SGD100,000 divided into 100,000 ordinary shares having a nominal value of SGD1.00. They are currently investment holding companies.

## 3. RATIONALE FOR THE PROPOSED JV

Due to the internal re-organisation of Sepanjang Group's corporate structure and operations, it is necessary for Asiatic to enter into the JV Agreements in order to proceed with the Proposed JV.

The Proposed JV is in line with Asiatic's long term strategy in increasing its interest in the palm oil industry in line with its belief in the continued prospects of the industry. The Proposed JV represents another positive step by the Asiatic Group towards realising its vision of establishing itself as a major player in the industry.

#### 4. INDUSTRY PROSPECT

The future prospects of the oil palm business are expected to be reasonably positive mainly due to the following:

- (i) the expected continued growth in the demand for edible oils in tandem with the increase in the worldwide population;
- (ii) the increasing share of palm oil in the edible oils market in view of its nutritional strength and health attributes;
- (iii) the viability of crude palm oil conversion to biodiesel underpinned by environmental benefits and high prices of fossil fuel; and
- (iv) the competitiveness of palm oil in terms of yield and cost efficiency as compared to other edible oils.

#### 5. RISK FACTORS

The Board of Asiatic does not foresee any extraordinary or material risk factors pertaining to the Proposed JV, save for the business/operating risks normally associated with the oil palm industry, in which the Asiatic Group is already involved as well as political risks associated with any venture in a foreign country.

- (i) Inherent business risk in the plantation industry

As with other palm oil producers, Asiatic Group is subject to risks inherent to the plantation industry, which include but not limited to changes in global, regional and national economy, competition from existing and new producers, changes in weather conditions, fluctuation in commodity prices, changes in consumer tastes, outbreak of pests and crop diseases, changes in technology, increase in production, labour and storage costs, and changes in business and credit conditions.

- (ii) Fluctuations in crude palm oil and palm kernel prices

The performance of Asiatic Group is dependent on the crude palm oil ("CPO") and palm kernel ("PK") prices in the oil palm industry at any particular time. As a globally traded commodity, the fluctuation in palm oil prices correlates with the demand and supply of the vegetable oils and fats market thereby giving rise to volatile price movements.

Additionally, the prices of CPO and PK are also exposed to fluctuations in exchange rate as the trade and exports of the nation's crude and processed palm oil products are carried out primarily in US Dollars.

- (iii) Changes in general economic, legislative, political and business conditions

The future performance of the Proposed JV is subject to the economic, political, regulatory, taxation and environmental conditions of the Republic of Indonesia. Changes to these conditions as well as other changes to the operating environment may adversely affect the performance of the Proposed JV. Further, the repatriation of the investment and potential profits derived by the Asiatic Group from the Proposed JV will also be subject to the relevant policies of the Indonesian government as at the point of repatriation. The impact of the results of the Proposed JV to Asiatic will also be dependent on the exchange rate between Rp to RM prevailing on the relevant dates.

## **6. SOURCE OF FUNDS**

The source of funds for the financing of the Proposed JV will be from internally generated funds and/or external borrowings of the Asiatic Group.

## **7. FINANCIAL EFFECTS**

### **7.1 Share Capital and Major Shareholders' Shareholding**

The Proposed JV will not have any effect on the share capital or the major shareholders' shareholding in the Company.

### **7.2 Net Asset**

The Proposed JV will not have any material impact on the net assets of the Asiatic group based on its audited accounts for the financial year ended 31 December 2008.

### **7.3 Earnings**

The Proposed JV is not expected to have any material impact on the earnings of the Asiatic group for the financial year ending 31 December 2009 and is expected to contribute positively towards the earnings of the Asiatic Group in the long-term.

## **8. APPROVALS REQUIRED**

The approvals required for the Proposed JV are set out in Section 2.3.1 of this announcement.

**9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the directors and/or persons connected to the directors of the Company has any interest, direct or indirect, in the Proposed JV. To the best of knowledge of the directors, none of the major shareholders or persons connected to the major shareholders of the Company has any interest, direct or indirect, in the Proposed JV.

**10. DIRECTORS' RECOMMENDATION**

The Directors, after careful deliberation, are of the opinion that the Proposed JV is in the best interest of the Company.

**11. ESTIMATED TIME FRAME FOR COMPLETION**

The Proposed JV is expected to be completed by 31 December 2011.

**12. COMPLIANCE WITH AND DEPARTURE FROM THE GUIDELINES ON THE OFFERING OF EQUITY AND EQUITY-LINKED SECURITIES ISSUED BY THE SECURITIES COMMISSION ("SC GUIDELINES")**

The Board is not aware of any departure from the SC Guidelines in relation to the Proposed JV.

**13. DOCUMENTS FOR INSPECTION**

The JV Agreements will be available for inspection at the registered office of the Company during normal office hours on any working day for a period of three (3) months commencing from the date of this announcement.

This announcement is dated 5 June 2009.

TAN SRI MOHD AMIN BIN OSMAN  
CHAIRMAN  
ASIATIC DEVELOPMENT BERHAD