ASIATIC DEVELOPMENT BERHAD

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PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND FULLY PAID-UP SHARE CAPITAL OF

- **TRUSHIDUP PLANTATIONS SDN BHD (“TPSB”);**
- **WAWASAN LAND PROGRESS SDN BHD (“WLPSB”); AND**
- **DIANTI PLANTATIONS SDN BHD (“DPSB”)**

BY SABAH DEVELOPMENT COMPANY SDN BHD (“SDC”), A WHOLLY OWNED SUBSIDIARY COMPANY OF ASIATIC DEVELOPMENT BERHAD (“ASIATIC” OR THE “COMPANY”) FOR A TOTAL CASH CONSIDERATION OF RM81,801,979 FROM SEVERAL INDIVIDUALS.

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND FULLY PAID-UP SHARE CAPITAL OF

- **CENGKEH EMAS SDN BHD (“CESB”); AND**
- **KITUVA PLANTATIONS SDN BHD (“KPSB”)**

BY SDC FOR A TOTAL CASH CONSIDERATION OF RM19,990,715 FROM SYARIKAT TRUSHIDUP SDN BHD (“STSB”) AND SEVERAL INDIVIDUALS.

PROPOSED ACQUISITION OF APPROXIMATELY 1,749 ACRES OF PLANTATION LANDS TOGETHER WITH A PALM OIL MILL AND OTHER PLANTATION ASSETS LOCATED IN THE DISTRICT OF KINABATANGAN, SABAH BY SDC FOR A TOTAL CASH CONSIDERATION OF RM50,320,800 FROM STSB.

PROPOSED ACQUISITION OF OTHER PLANTATION ASSETS BY SDC FOR A TOTAL CASH CONSIDERATION OF RM986,609 FROM TRUSHIDUP RESOURCES SDN BHD (“TRSB”).

PROPOSED ACQUISITION OF APPROXIMATELY 5,110 ACRES OF PLANTATION LAND LOCATED IN THE DISTRICT OF KINABATANGAN, SABAH BY ASIATICOM SDN BHD (“ASB”), A 70% OWNED SUBSIDIARY COMPANY OF ASIATIC, FOR A TOTAL CASH CONSIDERATION OF RM 51,895,364 FROM STSB.

(COLLECTIVELY REFERRED TO AS “PROPOSED ACQUISITIONS”)

1.0 INTRODUCTION

The Board of Directors of Asiatic is pleased to announce that SDC, a wholly owned subsidiary of Asiatic, has on 17 February 2004 entered into the following conditional share purchase agreements (“Conditional SPA”) to acquire several companies which primarily involve in the cultivation of oil palm:

(i) Conditional SPA with Ambrose Pang En Ming, Bartholomew Pang Vui Kuann, Datuk Vincent Pang En Siong, Datin Justina Mariana Olaybal, Charles O. Pang Su Pin, Jacob O. Pang Su Yin, Isaac Pang Su Kiun, Datuk James Pang En Leong, John Pang En Kong, Bernard Pang En Kiong and Peter Pang En Yin for the acquisition by SDC of:

- the entire issued and fully paid-up share capital of TPSB comprising 250,250 ordinary shares of RM1.00 each;

- the entire issued and fully paid-up share capital of WLPSB comprising 700 ordinary shares of RM1.00 each; and

- the entire issued and fully paid-up share capital of DPSB comprising 7 ordinary shares of RM1.00 each

for a total cash consideration of RM81,801,979.

(ii) Conditional SPA with STSB for the acquisition by SDC of

- the entire issued and fully paid-up share capital of CESB comprising 860,000 ordinary shares of RM1.00 each; and

- the 47.5% issued and fully paid-up share capital of KPSB comprising 712,500 ordinary shares of RM1.00 each

for a total cash consideration of RM13,464,514.

(iii) Conditional SPA with Ahmad Gaman @ Onn Bin Abdullah and Tony Tay Kim Sang for the acquisition by SDC of the 52.5% issued and fully paid-up share capital of KPSB comprising 787,500 ordinary shares of RM1.00 each for a total cash consideration of RM6,526,201.

TPSB, WLPSB, DPSB, CESB and KPSB are hereinafter collectively referred to as the "Vendor Companies"

On the even date, SDC and ASB, a 70% owned subsidiary company of Asiatic, have also entered into the following conditional sale and purchase agreements ("Conditional S&P") for the acquisition of agricultural lands, palm oil mill and other plantation assets as follows:

(i) Conditional S&P between SDC and STSB to acquire several pieces of agricultural land at various stages of oil palm cultivation measuring approximately 1,749 acres together with a 60 metric tonnes per hour palm oil mill and other plantation assets, all of which located in District of Kinabatangan, Sabah, for a total cash consideration of RM50,320,800;

(ii) Conditional S&P between ASB and STSB to acquire several pieces of agricultural land at various stages of oil palm cultivation measuring approximately 5,110 acres, all of which located in District of Kinabatangan, Sabah, for a total cash consideration of RM51,895,364;

(iii) Conditional S&P between SDC and Trushidup Resources Sdn Bhd ("TRSB") to acquire other plantation assets for a cash consideration of RM986,609.

The above plantation lands, palm oil mill and other plantation assets are hereinafter collectively referred to as the "Vendor Assets".

2.0 DETAILS OF THE PROPOSED ACQUISITIONS

2.1 Information on Vendor Companies

(i) TPSB

TPSB was incorporated in Malaysia on 14 February 1984 under the Companies Act, 1965. The present authorised share capital of TPSB is RM5,000,000 comprising of 5,000,000 ordinary shares of RM 1.00 each, of which 250,250 ordinary shares have been issued and are fully paid-up.

TPSB is principally engaged in the cultivation and sales of oil palm fresh fruit bunches and property letting. TPSB owns several pieces of agricultural land at various stages of oil palm cultivation measuring approximately 4,989 acres. It has a 55.9% own subsidiary, Sawit Sukau Usahasama Sdn Bhd ("SSUSB"), which details are set out in 2.1 (vi) below.

The particulars of the land and its plantation profile are set out in **Table A1** and **Table A2** respectively whilst the details of crop production are depicted in **Table A3**.

The results and the financial information based on audited accounts of TPSB Group for the five (5) financial years ended 31 December 2002 are shown in **Table B1**.

(ii) WLPSB

WLPSB was incorporated in Malaysia on 7 October 1994 under the Companies Act, 1965. The present authorised share capital of WLPSB is RM100,000 comprising of 100,000 ordinary shares of RM 1.00 each, of which 700 ordinary shares have been issued and are fully paid-up.

WLPSB is principally engaged in the cultivation and sales of oil palm fresh fruit bunches. WLPSB owns several pieces of agricultural land at various stages of oil palm cultivation measuring approximately 2,635 acres. The particulars of the land and its plantation profile are set out in **Table A1** and **Table A2** respectively whilst the details of crop production are depicted in **Table A3**.

The results and the financial information based on audited accounts of WLPSB for the five (5) financial years ended 31 December 2002 are shown in **Table B2**.

(iii) DPSB

DPSB was incorporated in Malaysia on 14 July 1980 under the Companies Act, 1965. The present authorised share capital of DPSB is RM500,000 comprising of 500,000 ordinary shares of RM 1.00 each, of which 7 ordinary shares have been issued and are fully paid-up.

DPSB is principally engaged in the cultivation and sales of oil palm fresh fruit bunches. DPSB owns a piece of agricultural land at various stages of oil palm cultivation measuring approximately 491 acres. The particulars of the land and its plantation profile are set out in **Table A1** and **Table A2** respectively whilst the details of crop production are depicted in **Table A3**.

The results and the financial information based on audited accounts of DPSB for the five (5) financial years ended 31 December 2002 are shown in **Table B3**.

(iv) CESB

CESB was incorporated in Malaysia on 25 March 1980 under the Companies Act, 1965. The present authorised share capital of CESB is RM1,000,000 comprising of 1,000,000 ordinary shares of RM 1.00 each, of which 860,000 ordinary shares have been issued and are fully paid-up.

CESB is principally engaged in the cultivation and sales of oil palm fresh fruit bunches. CESB owns a piece of agricultural land at various stages of oil palm cultivation measuring approximately 505 acres. The particulars of the land and its plantation profile are set out in **Table A1** and **Table A2** respectively whilst the details of crop production are depicted in **Table A3**.

The results and the financial information based on audited accounts of CESB for the five (5) financial years ended 31 December 2002 are shown in **Table B4**.

(v) KPSB

KPSB was incorporated in Malaysia on 19 April 1986 under the Companies Act, 1965. The present authorised share capital of KPSB is RM2,000,000 comprising of 2,000,000 ordinary shares of RM 1.00 each, of which 1,500,000 ordinary shares have been issued and are fully paid-up.

KPSB is principally engaged in the cultivation and sales of oil palm fresh fruit bunches. KPSB owns several pieces of agricultural land of at various stages oil palm cultivation measuring approximately 1,208 acres. The particulars of the land and its plantation profile are set out in **Table A1** and **Table A2** respectively whilst the details of crop production are depicted in **Table A3**.

The results and the financial information based on audited accounts of KPSB for the five (5) financial years ended 31 December are shown in **Table B5**.

(vi) SSUSB

SSUSB, a 55.9% owned subsidiary company of TPSB, was incorporated in Malaysia on 29 January 2000 under the Companies Act, 1965. The present authorised share capital of SSUSB is RM100,000 comprising of 100,000 ordinary shares of RM 1.00 each, of which 10,000 ordinary shares have been issued and are fully paid-up.

SSUSB is involved in the cultivation and sales of oil palm fresh fruit bunches.

2.2 Information on the Vendor Assets

(i) Plantation Lands

The oil palm estates measuring approximately 6,859 acres held by STSB to be acquired by SDC and ASB are located in the District of Kinabatangan, Sabah. The particulars of the land and its plantation profile are set out in **Table A1** and **Table A2** respectively whilst the details of crop production are depicted in **Table A3**.

(ii) Palm Oil Mill

The palm oil mill comprising the mill infrastructure and building, labour and staff quarters is situated some 100 km from Sandakan, Sabah. It was commissioned in April 1997 with a capacity of 60 metric tonnes per hour.

Details of the Palm Oil Mill are set out in **Table A4.**

(iii) Other Plantation Assets

Other Plantation Assets include motor vehicles, furniture and fittings, office equipment electrical appliances and others.

2.3 The Original Cost of investment to the Vendors

The original cost of investment to the vendors and the date of such investment are set out in **Table C**.

2.4 Purchase Consideration of the Proposed Acquisitions

The total purchase consideration for the Proposed Acquisitions of RM204,995,467 was arrived at on a "willing buyer-willing seller" basis after taking into account the unaudited net tangible assets of the Vendor Companies as at 30 November 2003 and considering the plantation profile of the oil palm estates as well as the prevailing market prices of agricultural land.

The purchase consideration is to be satisfied wholly in cash and to be financed by internally generated funds and/or external borrowings.

The purchase consideration for each of the Vendor Companies and Vendor Assets are set out in **Table D**.

2.5 Salient Features of the Conditional SPA and Conditional S&P

(i) Conditions Precedent

The Proposed Acquisitions is interdependent and is subject to the following conditions being satisfied within 6 months from the date of the Conditional SPA and Conditional S&P but not earlier than 31 March 2004:

- the approval of Foreign Investment Committee ("FIC") being obtained;
- the completion of a due diligence to the satisfaction of the Purchasers; and
- any other approvals from the relevant authorities as may be required.

(ii) Payment Term

The total purchase consideration for the Proposed Acquisitions is to be paid in the following manner:

For SPA,

- 10% of the purchase consideration computed based on the net tangible assets of the Vendor Companies as at 30 November 2003 was paid to our stakeholder upon execution of the agreements as deposit. The deposit will be released to the vendor upon take over date;
- the balance of the purchase consideration, subject to adjustments arising from the due diligence, is payable to the vendor upon take over date; and

- The difference between the net tangible assets of the Vendor Companies as at the take over date as determined by the independent auditors and as at 30 November 2003 is payable upon completion of the audit by the independent auditors.

For S&P,

- 10% of the purchase consideration was paid to our stakeholder upon execution of the agreements as deposit, which will be released to the vendor upon the presentation of the Memoranda of Transfer to the land office; and

- The balance of the purchase consideration is payable to the vendor upon issuance of memorial number or 14 days from the date of presentation of registration, whichever is the earlier.

2.6 Information on Purchasers

(i) Information on SDC

SDC, a wholly owned subsidiary of Asiatic, was incorporated in Malaysia under the Companies Act, 1965 on 28 April 1962 with an authorised share capital of 60,000,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM54,000,000 ordinary shares.

It is principally involved in the production, processing and sale of palm oil products. It currently owns a total land bank of approximately 31,304 acres of oil palm estate located in Sabah. Its other major assets consist of 3 palm oil mills with a total capacity of 135 metric tonnes per hour.

(ii) Information on ASB

ASB, a 70% owned subsidiary of Asiatic, was incorporated in Malaysia under the Companies Act, 1965 on 10 April 1989 with an authorised share capital of RM525,000 comprising of 25,000 ordinary shares of RM1.00 each and 500,000 convertible non-cumulative redeemable preference shares of RM1.00 each, of which 10 ordinary shares have been issued and are fully paid-up.

It is principally engaged in the cultivation and sale of palm oil products. It currently owns a total land bank of approximately 669 acres of oil palm estate located in Sabah.

2.7 Information on Vendors

(i) Individual Vendors

The names of the individual vendors for the Vendor Companies are set out in **Table E**.

(ii) STSB

STSB was incorporated in Malaysia on 15 October 1977 as a private limited company under the Companies Act, 1965. The present authorised share capital of STSB is RM30,000,000 comprising of 27,000,000 ordinary shares of RM1.00 each and 3,000,000 redeemable preference shares of RM1.00 each, of which 12,250,000 ordinary shares have been issued and are fully paid-up.

STSB is principally engaged in the production and sales of palm oil products, operation of oil palm plantations and investment holding.

(iii) TRSB

TRSB was incorporated in Malaysia on 22 August 1995 as a private limited company under the Companies Act, 1965. The present authorised share capital of TRSB is RM500,000 comprising of 500,000 ordinary shares of RM1.00 each, of which 140,000 ordinary shares have been issued and are fully paid-up.

TRSB is principally engaged in the supply of culverts, equipment hire and the provision of related services.

3.0 RATIONALE FOR THE PROPOSED ACQUISITIONS

The Proposed Acquisitions is in line with Asiatic's long term strategy in furthering its plantation interest given its continued faith in oil palm business and represents a positive step towards realising the Group's vision of establishing itself a major player in the industry. As a result of the Proposed Acquisitions, Asiatic's land bank will expand by 16,687 acres to over 173,000 acres or an increase of 10.6%, and its oil palm planted area will increase by 15,156 acres to over 139,000 acres or an increase of 12.2%. In addition, the Proposed Acquisitions would contribute positively towards Asiatic's fresh fruit bunches ("FFB") production given the prime age profile of the estates with FFB yield of 26.4 tonnes per hectare in 2003. Accordingly, the Proposed Acquisitions would enlarge Asiatic's existing operation to benefit from economy of scale whilst widening its earning base to improve profitability.

4.0 INDUSTRY PROSPECT

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

- The expected continued growth in demand for edible oils in tandem with the increase in the worldwide population, which will be partly fulfilled by palm oil;

- The increasing share of palm oil in the edible oils market in view of its superior nutritional strength and health attributes; and

- Its productivity and cost efficiency has ranked palm oil among the most competitively produced edible oil.

5.0 RISK FACTORS

The Group is operating in an ever-changing environment and is susceptible to certain business risks inherent in the oil palm industry. The risk factors associated with the Proposed Acquisitions include, among others:

- Fluctuation in prices of crude palm oil and palm kernel;

- Unfavourable local and global weather patterns which affect the production of fresh fruits bunches;

- Constraints in labour availability and rising labour cost;

- Threats of substitute products;
- Diseases or crop pests;
- More stringent environment and conservation regulations; and
- Changes in political, economic and legislative conditions.

6.0 FINANCIAL EFFECTS

6.1 Share Capital and Substantial Shareholders' Shareholding

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

6.2 Net Tangible Asset

The Proposed Acquisitions will not have any material impact on the net tangible assets of the Group based on its audited accounts for the financial year ended 31 December 2002.

6.3 Earnings

The Proposed Acquisitions is expected to be completed by the second quarter of the financial year ending 31 December 2004. Upon completion, the Proposed Acquisitions is expected to contribute positively towards the earnings of the Group for the current financial year ending 31 December 2004.

7.0 APPROVALS REQUIRED

The Proposed Acquisitions are subject to the following approvals being obtained:

- FIC;
- Department of Environment ;
- Malaysian Palm Oil Board; and
- Any other relevant authorities.

8.0 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the directors or persons connected to the directors of the Company has any interest, direct or indirect, in the Proposed Acquisitions. To the best of knowledge of the directors, none of the substantial shareholders or persons connected to the substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisitions.

9.0 DIRECTORS' RECOMMENDATION

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

10.0 ESTIMATED TIME FRAME FOR COMPLETION

The Proposed Acquisitions are expected to be completed within 6 months upon execution of the Conditional SPA and Conditional S&P but not earlier than 31 March 2004.

11.0 COMPLIANCE WITH SECURITIES COMMISSION'S GUIDELINES

The Proposed Acquisitions are in compliance with and there has been no departure from the Policies and Guidelines on Issue/Offer of Securities.

12.0 DOCUMENTS FOR INSPECTION

The Conditional SPA and Conditional S&P will be available for inspection at the registered office of the Company during the normal office hours on any working day for a period of one month commencing on the date of this announcement.

A Circular detailing the Proposed Acquisitions will be despatched to the shareholders of Asiatic in due course.

TAN SRI MOHD AMIN BIN OSMAN
Chairman
Asiatic Development Berhad