

General Announcement

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Subject : **PROPOSED JOINT VENTURE FOR OIL PALM CULTIVATION IN
KECAMATAN TOBA, KABUPATEN SANGGAU, PROVINSI
KALIMANTAN BARAT, REPUBLIC OF INDONESIA**

Contents : Genting Plantations Berhad (formerly known as Asiatic Development Berhad) ("GENP" or the "Company") is pleased to announce that Sanggau Holdings Pte Ltd, a wholly-owned subsidiary of Mediglove Sdn Bhd which in turn is a wholly-owned subsidiary of GENP, had on 5 February 2010 entered into a joint venture agreement with Palma Citra Investama Pte Ltd and PT Sawit Mandira to develop approximately 17,500 hectares of agricultural land (based on Izin Lokasi or Location Permit) into oil palm plantation in Kecamatan Toba, Kabupaten Sanggau, Provinsi Kalimantan Barat, Republic of Indonesia ("Proposed Joint Venture").

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

Attachments : [GENP - PT SAP JV announcement.pdf](#)

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**PROPOSED JOINT VENTURE FOR OIL PALM CULTIVATION IN KECAMATAN TOBA,
KABUPATEN SANGGAU, PROVINSI KALIMANTAN BARAT, REPUBLIC OF INDONESIA**

1. INTRODUCTION

The Board of Directors of Genting Plantations Berhad (*formerly known as Asiatic Development Berhad*) (“**GENP**” or the “**Company**”) wishes to announce that Sanggau Holdings Pte Ltd (“**SAH**”), a wholly-owned subsidiary of Mediglove Sdn Bhd which in turn is a wholly-owned subsidiary of GENP, had on 5 February 2010 entered into a joint venture agreement (“**JVA**”) with Palma Citra Investama Pte Ltd (“**Palma**”) and PT Sawit Mandira (“**PTMandira**”) to develop approximately 17,500 hectares of agricultural land (based on *Izin Lokasi* or Location Permit) into oil palm plantation in Kecamatan Toba, Kabupaten Sanggau, Provinsi Kalimantan Barat, the Republic of Indonesia (“**Proposed JV**”).

The Proposed JV will be undertaken by PT Surya Agro Palma (“**PTSAP**” or “**JV Co**”). Subject to relevant approvals being obtained, SAH will subscribe for 700 ordinary shares of Rp1,000,000 each representing 70% of the enlarged issued and paid-up share capital in PTSAP. Palma’s and PTMandira’s shareholding in the enlarged issued and paid-up share capital of PTSAP will be 25% and 5% respectively.

Palma and PTMandira are part of the Sepanjang Group who is our existing joint venture partner and an established palm oil producer based in the Republic of Indonesia.

Palma and PTMandira are hereinafter referred to singularly as the “**JV Partner**” and collectively as the “**JV Partners**”.

2. DETAILS OF THE JVA

2.1 Structure of the JV Co

Under the JVA, subject to relevant approvals being obtained and conditions being satisfied, SAH will subscribe for, and JV Partners agree to cause PTSAP to issue and allot to SAH, 700 new ordinary shares of Rp1,000,000 each representing 70% of its enlarged issued and paid-up share capital at the nominal value of the shares. The resultant shareholding structure of PTSAP is as follows:

| Name of shareholder | No. of ordinary shares (Rp1,000,000 each) | Voting Equity |
|----------------------------|--|----------------------|
| <u>GENP’s subsidiary</u> | | |
| SAH | 700 | 70% |
| <u>JV Partners</u> | | |
| Palma | 250 | 25% |
| PTMandira | 50 | 5% |
| | <hr/> 1,000 | <hr/> 100% |

The subscription money payable by SAH into PTSAP is Rp700 million or approximately RM250,000, to be satisfied wholly in cash and to be financed by GENP using internally generated funds of GENP and its subsidiaries (“**GENP Group**”). Save as disclosed in the announcement, there are no liabilities to be assumed by SAH with respect to the Proposed JV.

2.2 Information on the JV Co

PTSAP was incorporated in the Republic of Indonesia on 29 May 2006 under the laws of the Republic of Indonesia. The present authorised share capital of PTSAP is Rp1,000,000,000 comprising 1,000 ordinary shares (“**JV Co Shares**”) of Rp1,000,000 each, of which 300 ordinary shares have been issued and fully paid-up.

The principal activities of PTSAP include 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 in the Republic of Indonesia.

PTSAP, through the JV Partners, had secured *Izin Lokasi* or Location Permit for a parcel of land of approximately 17,500 hectares in Kecamatan Toba, Kabupaten Sanggau, Provinsi Kalimantan Barat, the Republic of Indonesia (the “**Land**”).

2.3 Salient terms of the JVA

2.3.1 The completion of the JVA 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 Co in relation to the admittance of SAH as shareholder of PTSAP in the proportion described in Section 2.1 above;
- (iii) the procurement and/or maintenance of *Izin Lokasi* and *Izin Usaha Perkebunan* (or Plantation Business License);
- (iv) the approval of the Ministry of Forestry Affairs, if required; and
- (v) due diligence study being conducted by SAH and its appointed advisers and/or auditors on the corporate and legal standing of JV Co, the licenses and/or permits of the JV Co, the status of the JV Co and the status of and restrictions on the Land and any other aspects of the JV Co and the Land, that SAH thinks fit, and the results of the due diligence being satisfactory to SAH.

Notwithstanding completion of the JVA, the approvals, licences and permits required for the implementation of the project contemplated in the JVA must be obtained no later than 31 December 2012.

- 2.3.2 The JV Partners will procure and maintain the Hak Guna Usaha (“**HGU**”) (or Rights to Cultivate certificate) of the Lands in the name of the JV Co at a pre-determined valuation of RM1,500 per hectare based on the Kadasteral Map. Kadasteral Map shall mean the document indicating the total land area based on survey and measurement issued by the Province National Land Board which includes both inti land and plasma land but excludes enclave areas.

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 Co by the JV Partners. In addition, the JV Partners will be responsible for procuring all approvals in the name of the JV Co that are necessary for undertaking the project under the JVA.

The HGU term for the Land shall not be less than 30 years with a right of extension for another 30 years.

- 2.3.3 SAH will contribute cash progressively in accordance with the development plan determined by the JV Co. The contribution will be up to RM3,500 per hectare but shall at no time exceed 70% of the total contribution to the JV Co.
- 2.3.4 The above contribution by SAH and JV Partners shall be made in exchange for Class B shares to be issued by the JV Co 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 Co shall allocate a minimum of 20% of the plantable area to be developed for the community.
- 2.3.6 SAH and the JV Partners shall cause the JV Co to enter into a General Management and Administrative Services and Technical Services Agreement and a Sales and Marketing Services Agreement with SAH or its designated nominee whereby SAH or its designated nominee shall be appointed as the sole and exclusive provider of these services to the JV Co.

2.4 Information on the JV Partners

- (i) 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.
- (ii) 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 SAH

SAH, a wholly-owned subsidiary of Mediglove Sdn Bhd which in turn is a wholly-owned subsidiary of GENP, was incorporated in Singapore on 26 November 2009 with an issued and paid-up share capital of SGD1 comprising 1 ordinary share.

SAH is principally an investment holding company.

3. RATIONALE FOR THE PROPOSED JV

The Proposed JV is in line with GENP'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 GENP 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 GENP 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 GENP Group is already involved as well as political and regulatory risks associated with any venture in a foreign country.

(i) Inherent business risk in the plantation industry

As with other palm oil producers, GENP 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 GENP 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 GENP 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 GENP 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 GENP 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 and Gearing

The Proposed JV will not have any material impact on the net assets and gearing of the GENP 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 GENP Group for the financial year ending 31 December 2010 and is expected to contribute positively towards the earnings of the GENP 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

Notwithstanding that the Sepanjang Group is a major shareholder of certain subsidiaries of GENP through existing joint ventures with the GENP Group, the Proposed JV is not normally regarded as a related party transaction pursuant to the Main Market Listing Requirements.

Save as disclosed above, none of the directors and/or persons connected with 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 with 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 2012.

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. PERCENTAGE RATIOS UNDER PARAGRAPH 10.02(g) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (“LISTING REQUIREMENTS”)

Pursuant to paragraph 10.02(g) of the Main Market Listing Requirements, the highest percentage ratio applicable to the Proposed JV is 0.01%, based on GENP’s audited financial statements for the financial year ended 31 December 2008.

14. DOCUMENTS FOR INSPECTION

The JVA 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 February 2010.

TAN SRI MOHD AMIN BIN OSMAN
CHAIRMAN
GENTING PLANTATIONS BERHAD