

# PROSPECTUS

Licence from the Minister of Finance of the Republic of Indonesia

Number : SI-126/SHM/MK.10/1990

Date : July 17, 1990

Offering Period : July 21 – August 3, 1990

Date of Allotment : August 13, 1990

Date of Refund : August 18, 1990

Date of Listing on the Indonesian Stock Market : August 27, 1990



PT PERUSAHAAN ROKOK TJAP

**GUDANG GARAM**

(ABBREVIATED AS PT GUDANG GARAM)

**Line of business : Cigarette Industry**

Head Office : Jl. Semampir II/1, Kediri

Tel.: (0354) 21090-97, Facsimile: (0354) 21419, Telex 31456 GGARAM KD

Factory : Kotamadya and Kabupaten of Kediri

## **PUBLIC OFFERING**

57,807,800 Registered Shares with a Nominal Value of Rp. 1,000.00 per share.

Offered at Rp. 10,250.00 per share, payable in full on submission of the Share Application Form.

## **LEAD UNDERWRITERS**

PT (PERSERO) DANAREKSA

PT MERCHANT INVESTMENT CORPORATION (MERINCORP)

PT MULTINATIONAL FINANCE CORPORATION (MULTICOR)

PT SURYA SECURITIES

PT FINCONESIA

## **MANAGING UNDERWRITERS**

PT (PERSERO) DANAREKSA

PT MERCHANT INVESTMENT CORPORATION (MERINCORP)

## **SUB UNDERWRITERS**

PT INDONESIAN FINANCE AND INVESTMENT COMPANY (IFI)

PT LIPPIN SECURITIES

BANK PEMBANGUNAN INDONESIA (BAPINDO)

PT WARDLEY JAMES CAPEL INDONESIA

PT MITRA DUTA SEKURITAS

PT PRIVATE DEVELOPMENT FINANCE COMPANY OF INDONESIA (PDFCI)

PT DANAMON SECURITIES

PT INDOCITRA SECURITIES

PT INDOSURYA SECURITIES

PT INDOVER SEKURITAS COMPANY

PT PRIMARINDO SECURITIES

PT ANEKAREKSA SECURITIES CORPORATION

PT DEEMTE ARTADHARMA SEKURITAS

PT FIRST INDONESIAN FINANCE & INVESTMENT CORPORATION (FICORINVEST)

PT MUTUAL INTERNATIONAL FINANCE CORPORATION (MIFC)

PT NIKI ASIA SECURINDO

PT PENTASENA ARTHASENTOSA

PT PIRANTI CIPTADHANA AMERTA SECURITIES

PT DHARMALA ARTHA SEJAHTERA

PT PANIN SEKURITASINDO

This prospectus is published in Jakarta on July 19, 1990

PT GUDANG GARAM has submitted a Registration Statement with regard to this Public Offering to the Capital Market Executive Agency (Badan Pelaksana Pasar Modal/BAPEPAM) in Jakarta, in accordance with the Decree of the Minister of Finance of the Republic of Indonesia No.859/KM.01/1987 dated December 23, 1987 and the Decision of the Chairman of the Capital Market Executive Agency (BAPEPAM) KEP-01/PM/1988 dated February 22, 1988. The listing of the shares offered shall take place at the Indonesian Stock Exchange (Bursa Efek Indonesia).

The Company accepts full responsibility for the truthfulness of the information presented herein and honesty of the opinions expressed in this Prospectus.

The Underwriters accept full responsibility for the data presented in this Prospectus. This is in accordance to each underwriter's individual tasks which is based on the existing rules and regulations and Code of Ethics of the Underwriting profession.

With regard to this Public Offering, nobody whosoever shall have the right to make any representation on matters not contained in this Prospectus, without the prior written authorization of PT GUDANG GARAM, PT (Persero) DANAREKSA and PT MERCHANT INVESTMENT CORPORATION (MERINCORP).

This Prospectus is adapted from the Prospectus published in the Indonesian language. In the event of any dispute regarding any information contained herein, the Indonesian version shall be deemed to be the governing document.

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## I. PUBLIC OFFERING

The Underwriters of PT. "Gudang Garam" Cigarette Company (hereinafter referred to as "the Company"), hereby offer 57,807,800 registered Common Shares of the Company to the Public with a nominal value of Rp. 1,000.- and an offering price of Rp. 10,250.- each.



PT CIGARETTE COMPANY "GUDANG GARAM"  
(PT GUDANG GARAM)

Located in Kediri, East Java, Indonesia  
Office : Jl. Semampir II/1, Kediri, East Java  
Factory : Kediri, East Java  
Telephone : (0354) - 21090 - 97  
Telex : 31456 GGARAM KD  
Facsimile : (0354) - 21419

The Company was incorporated on June 30th, 1971 by the Notarial Deed No. 10 and its Amendment No.13 dated October 13, 1971, which were drawn up by Notary Public Suroso S.H., in Kediri. The Deed of establishment was approved with the Decree of the Minister of Justice of the Republic of Indonesia No. J.A.5/1977 dated November 17, 1971 and was thereafter registered under No. 31/1971 in the Court of Justice in Kediri on November 26, 1971 and was already published in the Supplement No. 586 of the State Gazette No. 104 dated December 28, 1971. The Company's Articles of Association have been amended several times, the latest one was stated under the Notarial Deeds drawn up by Notary Public A. Partomuan Pohan SH. LL.M. No. 28 dated July 7, 1990, which was already approved by the Minister of Justice with the Decree No. C2-4057-HT.01.04.TH.90 dated July 11, 1990.

The latest Amendment of the Articles of Association was based on the Extraordinary Shareholders Meeting of the Company, which was held on June 6, 1990, which inter alia decided to increase the Authorized Capital of the Company from Rp. 87,550,000,000.- to Rp. 580,000,000,000.-.

The Company's Capital Stock at the time this Prospectus was issued, is as follows:

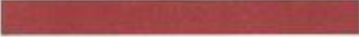
## CAPITAL STOCK

Capital Stock consists of Registered Common Shares  
with a Nominal Value of Rp. 1,000.00 each.

	Authorized Capital	Paid-Up Capital	Number of Shares Offered to Public
Number of Shares	580,000,000	423,214,200	57,807,800
Nominal Value (Rp)	580,000,000,000	423,214,200,000	57,807,800,000

	Before the Public Offering			After the Public Offering		
	Number of Shares	Nominal Value (x Rp 1,000.00)	%	Number of Shares	Nominal Value (x Rp 1,000.00)	%
Authorized Capital	580,000,000	580,000,000		580,000,000	580,000,000	
Subscribed	423,214,200	423,214,200		481,022,000	481,022,000	
Paid-up Capital:						
Tan Siok Tjen	131,800,000	131,800,000	31.14	131,800,000	131,800,000	27.40
Rachman Halim	78,000,000	78,000,000	17.96	76,000,000	76,000,000	15.80
Yuni Setiawati						
Wonowidjojo	34,800,000	34,800,000	8.22	34,800,000	34,800,000	7.24
Susilo Wonowidjojo	50,800,000	50,800,000	12.00	50,800,000	50,800,000	10.56
Sigid Sumargo						
Wonowidjojo	47,900,000	47,900,000	11.32	47,900,000	47,900,000	9.95
Wurniati Wonowidjojo	34,800,000	34,800,000	8.22	34,800,000	34,800,000	7.24
Sumarto Wonowidjojo	44,500,000	44,500,000	10.52	44,500,000	44,500,000	9.25
Bintoro Tandjung	2,614,200	2,614,200	0.62	2,614,200	2,614,200	0.54
Public	0	0	00.0	57,807,800	57,807,800	12.02
<b>Total Paid Up</b>	<b>423,214,200</b>	<b>423,214,200</b>	<b>100.00</b>	<b>481,022,000</b>	<b>481,022,000</b>	<b>100.00</b>
<b>Unsubscribed</b>	<b>156,785,800</b>	<b>156,785,800</b>		<b>98,978,000</b>	<b>98,978,000</b>	

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The registered Common Stock being offered will be 57,807,800 shares with a nominal value of Rp. 1,000.00 each which accounts for 12.02% of the total Subscribed and Fully Paid Up Capital of the Company after the Public Offering, they will have the same rank and be equal with the others already subscribed and fully paid up registered Common Stocks of the Company.

Beside the aforementioned offered Common Stock, the Company, on behalf of the shareholders will list an additional 38,396,600 shares with a nominal value of Rp. 1,000.00 each, which represents 7.98% of the capital stock that is already subscribed and fully paid up, therefore the total number of shares listed will total 96,204,400 shares or 20% of the Subscribed and Fully Paid Up Capital after the Public Offering. The existing shareholders will not divest the 38,396,000 listed shares within the period of 6 (six) months from the date of Licence for the Public Offering. Within the period of one year after the Public Offering the Company will not list an additional of subscribed and fully paid up shares on the Indonesian Stock Market, except of the total 96,204,400 shares abovementioned.

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## **II. PURPOSE OF THE PUBLIC OFFERING**

**T**he purposes of the Public Offering are as follows:

1. To strengthen the Company's capital structure and financial position by utilizing the major portion of the proceeds to repay outstanding bank loans.
2. To finance the renovation and optimization programme of the Company's machineries and equipment.
3. To strengthen the marketing system and distribution network including expansion of warehouses and other marketing outlets, in an effort to increase the Company's competitiveness in the market.
4. To finance its working capital requirements.
5. To provide the general public with an opportunity to own shares in the Company.

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### III. APPLICATION OF THE PROCEEDS

**N**et proceeds from the Public Offering will be used as follows :

1. 85% will be used to repay outstanding bank loans.
2. 10% will be used to purchase production machineries and equipment, to build warehouses in several marketing outlets and to finance new research and development programmes.
3. The remaining 5% will be used to increase the Company's working capital to support its sales increases.



## IV. GENERAL OVERVIEW OF THE COMPANY

### IV.1. BRIEF HISTORY

The Company is a continuation of a Proprietorship, which was established by the late Surya Wonowidjojo on June 26, 1958, at Jl. Semampir II/1, Kediri. The factory was situated on a 1,000 sqm area that was rented at the time and which is now known as Unit I. The Company's original labour force consisted of only 50 workers. In 1969, the Company changed its legal status from a Proprietorship to a Partnership (= Firma) and in 1971 it was further changed to its existing legal entity as a Limited Liability Company (PT). The fast growth of the Company was partly attributable to the support given by BNI 1946 and the facilities granted by the Coordinating Board of Capital Investment (BKPM) based on the Domestic Capital Investment Scheme (PMDN Facility).


The Company is the largest clove cigarette manufacturer in Indonesia, viewed in terms of assets, labour force, contribution in the payment of excise duty and tax as well as in terms of sales (as shown on page 32). The success of the Company has been achieved in a relatively short period, i.e. within 32 years.

During its early period, the Company only produced Corn Husk Clove Cigarettes, i.e. Sigaret Kretek Klobot (SKL) and Hand-rolled Clove Cigarettes, i.e. Sigaret Kretek Tangan (SKT), with a production capacity of 50 million sticks in 1958. Presently, the Company has 269 ha of land, 132.6 ha of which are located in Kediri: 34.8 ha used as for factories, 0.93 ha for offices and the remaining 96.87 ha for supporting facilities; and the 136.5 ha are located outside Kediri, which are used for offices (2.58 ha) and other supporting facilities (133.82 ha).



Factory Site

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The continuous growth of the Company is a measure of the success of management which continuously implements the way of life of the late Surya Wonowidjojo, that has become the Corporate Philosophy:

- I. Happiness is to give the general public a meaningful and useful livelihood.
- II. The keys to success are hard work, diligence, honesty, health and faith.
- III. Success can not be separated from the role and cooperation of others.
- IV. The employees are the principle business partners.

## **IV.2. HUMAN RESOURCES**

To the Company, the employees play an extremely important role as their creativity and productivity are **the mainstay of the business**. Another unique character of the Company is that it is not only capital intensive, but also work intensive.

In order to meet the required job qualifications with regard to the improvement of quality and prosperity, as well as our social responsibility towards employees, the Company provides several facilities, such as education, self-esteem activity, sports activity, mental and spiritual guidance etc.

At present, the Company employs 48,050 workers comprising of 10,401 men and 37,649 women, who exert their intelligence, skill and expertise to ensure the smooth operation of the Company. It is evidenced that capital intensive and labour intensive factors go hand in hand harmoniously.

■ Employee composition by educational background:

Education level	Male	Female	Total
- Primary	4,126	31,853	35,979
- Secondary: Junior	3,070	4,192	7,262
- Secondary: Senior	2,955	1,437	4,392
- Advanced: College	98	66	164
- Advanced: University	147	101	248
- Post Graduate	5	-	5
<b>Total</b>	<b>10,401</b>	<b>37,649</b>	<b>48,050</b>

■ Employee composition by ages:

Age	Male	Female	Total
16-18 years	-	250	250
19-25 years	3,965	18,347	22,312
26-40 years	5,118	17,425	22,543
41- plus	1,318	1,627	2,945
<b>Total</b>	<b>10,401</b>	<b>37,649</b>	<b>48,050</b>

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**■ Employee composition by position :**

1. Directors	9 people
2. Staff/Division Heads	23 people
3. Sub-Division Heads	64 people
4. Senior Staff	15 people
5. Administrative Assistants	445 people
6. Supervisors	252 people
7. Technicians/Foremen/Drivers	1,907 people
8. Direct Labour Force	31,907 people
9. Daily Workers	9,184 people
10. Supporting Workers	1,233 people
11. Seasonal Workers	3,011 people

<b>Total</b>	<b>48,050 people</b>
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*"Gudang Garam Permai" Housing Complex*

### **IV.3. THE COMPANY AND THE COMMUNITY**

#### **a. The Town and People of Kediri**

In line with the first principle of the Company's philosophy, which states: **"Happiness is to give the general public a meaningful and useful livelihood"**, the existence of the Company has a positive impact on the town of Kediri as well as its community. This especially can be viewed from the increase in its Regional Gross Domestic Product (RGDP) in 1988 to Rp. 979.9 billion, which ranked number 3 in East Java Province, while its per capita RGDP ranked as the highest, i.e. Rp. 3,247,000 per annum. 75% of this Regional Gross Domestic Product increase was attributable to the Company (Sources: Statistic Office in Kediri).

The Company directly participates in the development of religious centres, community halls, sports halls, community offices and generally improving the living environment of Kediri.

In the field of education, the Company assists in the construction of school buildings in Kediri and other cities/towns—from secondary school up to university—and also provides scholarships to students and pupils who have attained high grades.

## **b. Job Opportunities**

In addition to the 48,050 employees, the Company has also created job opportunities for around 400,000 people who are engaged in the distribution activities of the Company's products all over Indonesia.

## **c. Clove and Tobacco Farmers**

Most of the tobacco and cloves used by the Company are bought from the farmers or rural unit cooperatives (KUD). To facilitate the purchase of material from the farmers, the Company has built warehouses in Aceh, Lampung, Padang, Manado, Ambon, Singaraja, Madura, Paiton, Jember, Tuban, Bojonegoro, Lamongan, Temanggung, Ungaran, Weleri and Purwokerto.

Since 1983, the Company has actively participated in the programme of Virginia Tobacco Intensification (ITVKK), held by the Government in the regions of Bojonegoro and Bali. The Company also enjoys a close cooperation with the Tobacco and Fibre Plants Research Institution in Malang.

## **d. Sports Facilities and Participation**

In this field, the Company plays an active role in supporting Go Kart Racing, the "Halim" basket ball team and the "Sanjaya" table tennis team. Although these sports do not enjoy a large following, they do, however, generate much interest within the local areas that they compete in. Due to the Company's excellent sports facilities and intensive coaching and training programmes, several players have been selected to play for various National Teams.



*Basket ball*



*Table tennis*

In 1987, the Company received an honour from the PTMSI (Indonesian Table Tennis Union Association) to hold the "Third Asian Junior Table Tennis Tournament" in Kediri and in which the following countries participated: Singapore, Taiwan, Malaysia, Hong Kong, Pakistan, Bangladesh, China, Japan, South Korea, North Korea, Iran, Philippines, India and Indonesia as the host country.

## V. MANAGEMENT AND SUPERVISION

### V.1. THE BOARD OF COMMISSIONERS AND THE BOARD OF DIRECTORS

The Company's Articles of Association stipulate that the Company is managed by a Board of Directors under the Supervision of a Board of Commissioners, whose members are elected through a General Shareholders Meeting for a term of 5 (five) years with an option for re-election. The rights and responsibilities of the Board of Commissioners and the Board of Directors are stipulated in the Company's Articles of Association.

Presently the Board of Commissioners comprises of 6 (six) members:

President Commissioner	: Imam Soebagio
Commissioner	: H. Somala Wiria
Commissioner	: Subagijo
Commissioner	: Yuni Setiawati Wonowidjojo
Commissioner	: Wurniati Wonowidjojo
Commissioner	: Thomas Darmadji Rachmat

The Board of Commissioners is responsible for the overall supervision of the Management of the Company, which is directed by the Board of Directors, in such that it is run in compliance with the Articles of Association of the Company and the Guidance of the Shareholders.

The Board of Directors comprises of 9 (nine) Directors, as follows:

President Director	: Rachman Halim
Vice President Director I	: Susilo Wonowidjojo
Vice President Director II	: Bintoro Tandjung
Vice President Director III	: Mintarya
Director	: Sigid Sumargo Wonowidjojo
Director	: Sumarto Wonowidjojo
Director	: Yudiono Muktiwidjojo
Director	: Sujoso Notokusumo
Director	: Djajusman Surjowijono

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The following is a brief personal data on the individual members of the Board of Commissioners and the Board of Directors:



IMAM SOEBAGIO, 73 years  
Indonesian citizen  
**President Commissioner**

He was a tax consultant before joining the Company at its inception in 1958. His considerable consultancy experience has proved invaluable to the Company and in 1983 he was appointed as a Director and in June 1990 took up his present position of President Commissioner.



H. SOMALA WIRIA, 59 years  
Indonesian citizen  
**Commissioner**

Prior to joining the Company, he was President Director of Bank BNI 1946 for a 10 (ten) year period. He was appointed as Commissioner when joining the Company in June 1990.



SUBAGIJO, 39 years  
Indonesian citizen  
**Commissioner**

He joined the Company in 1969 as a staff member and was attached to representative office in Surabaya. He was appointed as Commissioner of the Company in June 1990.





YUNI SETIAWATI WONOWIDJOJO, 36 years

Indonesian citizen

**Commissioner**

She joined the Company in 1979 and was elected as a Commissioner of the Company in 1983.



WURNIATI WONOWIDJOJO, 29 years

Indonesian citizen

**Commissioner**

She was elected as a Commissioner of the Company in 1983.



THOMAS DARMADJI RACHMAT, 72 years

Indonesian citizen

**Commissioner**

Previously engaged in various business activities and the banking industry, he joined the Company in 1972 and was appointed to the staff of the Board of Directors. In 1983, he was elected as a Director of the Company and assumed this position until June 1990, when he was appointed as a Commissioner.



RACHMAN HALIM, 43 years

Indonesian citizen

**President Director**

He joined the Company in 1968 and shortly after was promoted to the staff of the Board of Directors, In 1971 he became a Director of the Company and in 1983 was elected as President Director. In addition to his responsibilities within the Company, he is also President Commissioner of PT Surya Zig Zag, PT Halim Indonesia Bank and PT Surya Raya Indah.



SUSILO WONOWIDJOJO, 34 years

Indonesian citizen

**Vice President Director I**

He joined the Company as a Director in June 1976 and was elected as a Vice President of the Company in June 1990, responsible for procurement of raw materials and the operation of processing plants.



BINTORO TANDJUNG, 46 years

Indonesian citizen

**Vice President Director II**

He joined the Company in 1971 as a member of the Board of Commissioners. In 1983 he was elected as a Director of the Company and in June 1990 he was elected as Vice President. In addition to his responsibilities within the Company, he is also a Director of PT Lijen, a Commissioner of PT Perkebunan Cengkeh Malang and of PT Halim Indonesia Bank.



MINTARYA, 39 years  
Indonesian citizen  
**Vice President Director III**

He joined the Company in 1968 as the staff of the Finance Department. In 1972 he was promoted to be the Head of Finance Department and in 1985 was appointed as Head of the Marketing Department. He also served as the staff of the Board of Directors and in June 1990 was elected as Vice President Director of the Company. He is now responsible for Research and Development Department.



SIGID SUMARGO WONOWIDJOJO, 31 years  
Indonesian citizen  
**Marketing Director**

He was elected a Commissioner of the Company in 1983 and appointed as Director of the Company in 1985, in charge of Marketing. He is also a member of the Board of Commissioners of PT Trias Sentosa, Sidoarjo.



SUMARTO WONOWIDJOJO, 27 years  
Indonesian citizen  
**Production Director**

He was elected as Commissioner of the Company in 1985 and took up his present position as Production Director of the Company in June 1990.



YUDIONO MUKTIWIDJOJO, 59 years  
Indonesian citizen  
**Human Resources and General Affairs Director**

He joined the Company at its inception in 1958 and was then elected as Director of Human Resources and General Affairs in 1983. In addition to his responsibilities within the Company, he is also a Director of PT Surya Indah and a Commissioner of PT Suryawisata.



SUJOSO NOTOKUSUMO, 71 years

Indonesian citizen

**Finance Director**

He joined the Company in 1965 in the field of Finance and was elected as Finance Director in 1983. In addition to his responsibilities within the Company, he is also President Director of PT Surya Zig Zag and Commissioner of PT Halim Indonesia Bank.



DJAJUSMAN SURJOWIJONO, 42 years

Indonesian citizen

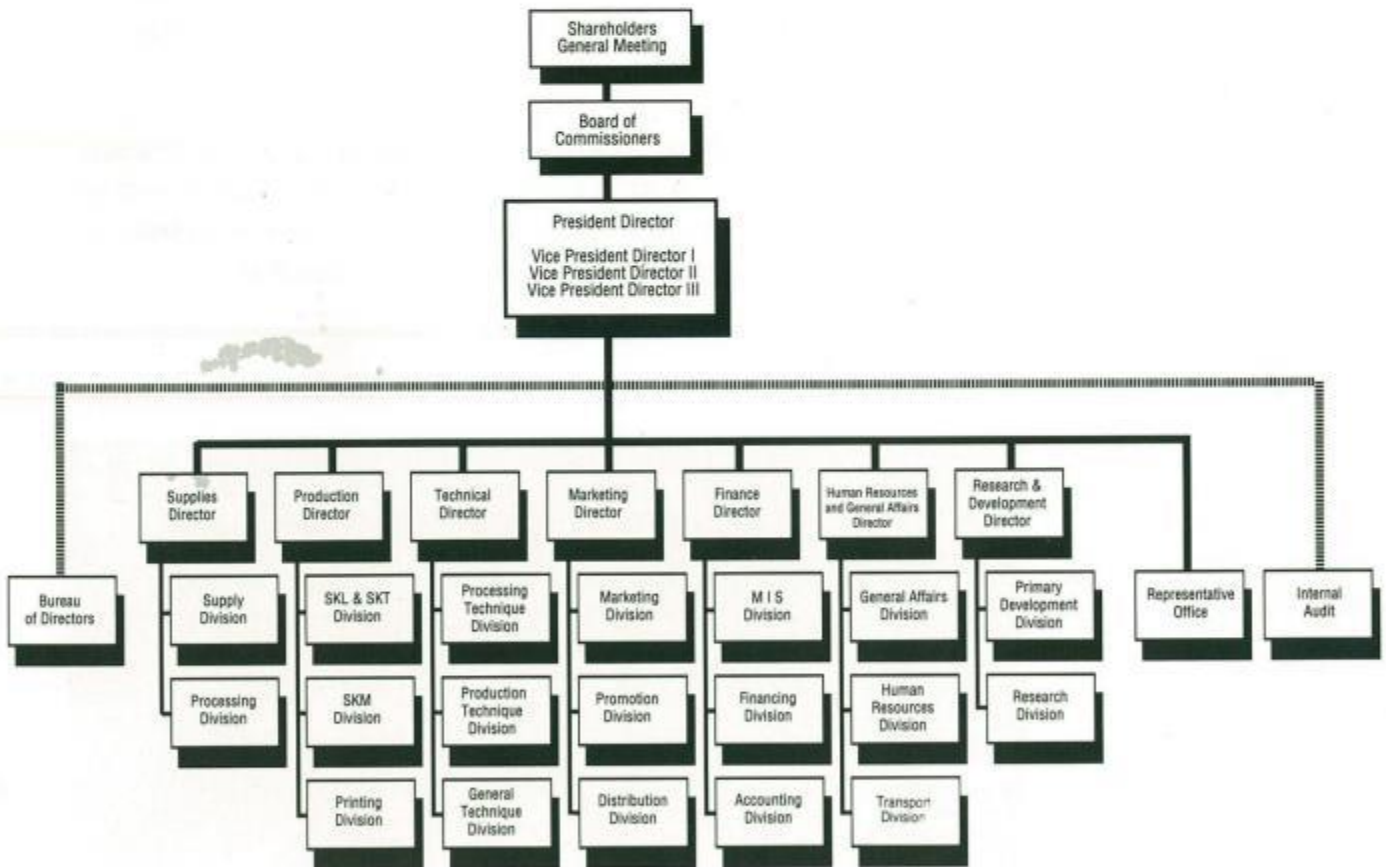
**Technical Director**

He joined the Company in 1971 on the staff of Representative Office in Jakarta and later was promoted on the staff of the Board of Directors. He was elected as Technical Director of the Company in June 1990.

## V.2. ORGANIZATION STRUCTURE

The Board of Directors direct the overall activities of the Company and to support them in their responsibilities, they are assisted by Managers and Staff with various formal backgrounds who have special expertise in the following fields:

- Finance and Economy
- Taxation
- Marketing
- Engineering and Production
- Legal



## VI. BUSINESS ACTIVITIES AND ITS PROSPECT

### VI.1. PRODUCTION ACTIVITIES

#### 1. Preface

The fine blend of clove cigarettes currently being produced, is a mixture of more than 20 different types of tobacco, flavours, and other ingredients. This perfect mixture results in a remarkably fragrant and tasteful product that truly lives up its slogan of: "HARUM, GURIH, NIKMAT" (AROMATIC, TASTEFUL, ENJOYABLE).

In general, the production process can be put into 3 main phases :

- **PREPRODUCTION:** The quality of the raw materials greatly affects the taste of the cigarette, therefore the selection of prime quality clove and tobacco is essential. It then undergoes the process of drying, cleaning, selecting and storing for up to 26 months for tobacco and 10 months for cloves.

- **PRODUCTION:** Upon reaching this stage, the cloves and tobacco are mixed with special flavours, which in turn is then hand-rolled or machine-made into cigarettes. In order to meet the demands of the consumers, 3 types of cigarettes are produced, the SKL, SKT, and the Machine-made Clove Cigarettes/SKM.



*Tobacco Warehouses*

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• **POST PRODUCTION:** During this phase, the cigarettes are attractively packaged and hermetically sealed to secure their freshness, taste and fragrance.

## 2. Production Process

### a. Raw Materials

• **TOBACCO:** In an effort to obtain optimum quality and quantity for this main raw material, the Company has undertaken various intensive research programmes with the government, in the field of tobacco cultivation.

During purchasing, the dried tobacco leaves are carefully selected by the Grader, for their fragrance, taste and physical appearance; then undergo a multistage process. It is first stripped of its stem, hygienically cleaned of any foreign materials, moisture controlled, and then packed in wooden cases and stored in a conditioned warehouse for up to 26 months.

• **CLOVES:** The *Eugenia Caryophyllus* or commonly known as cloves, undergoes controlled processing as the above mentioned raw material, before being stored for up to 10 months.

Through its years of experience in processing techniques, the Company has worked closely with leading international machinery suppliers to develop specially designed machinery to ensure that the processed local clove will have the same quality as those previously imported.



*Clove processing machinery*

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## b. Supporting Materials

These include cigarette paper, filters and packaging materials.

## c. Cigarette Production Process



S K L: The commonly known *Klobot* cigarettes are produced by manually rolling the processed corn husk with the tobacco and cloves.



S K T : The commonly known *Kretek* cigarettes are produced with the use of hand rolling units, which roll the raw materials with cigarette paper.



S K M: By using computer controlled high technology machinery, the raw materials are form into a rod and filter attached. This type is commonly known as the *Kretek Filter* cigarette.



#### **d. Packaging**

S K T : By using specially designed machinery, the cigarettes are attractively packaged and hermetically sealed to guarantee the quality of the product for consumer consumption.

S K M : With the help of hi-speed machinery, the cigarettes are automatically packaged and made ready for the market.

#### **e. Supporting Production Facilities**



*Smoking Machine*

For Research and Development purposes, the Company is equipped with a modern laboratory and personnel of high expertise, who analyse and control the raw materials, cigarette paper, filters, and the end product itself on a continuous basis.

In order to maintain its good image and to ensure the quality of its products, the Company operates in Surabaya one of the most modern and largest printing and corrugating plants in South East Asia.

The Company also operates its own foil laminating plant as well as hi-tech machinery for producing filter rods, so as to ensure the prime quality of its supplies.

Other facilities installed include a Power Generating Plant, Repair Workshops which are equipped with modern machine tools and equipment to ensure the smooth running of all production processes.



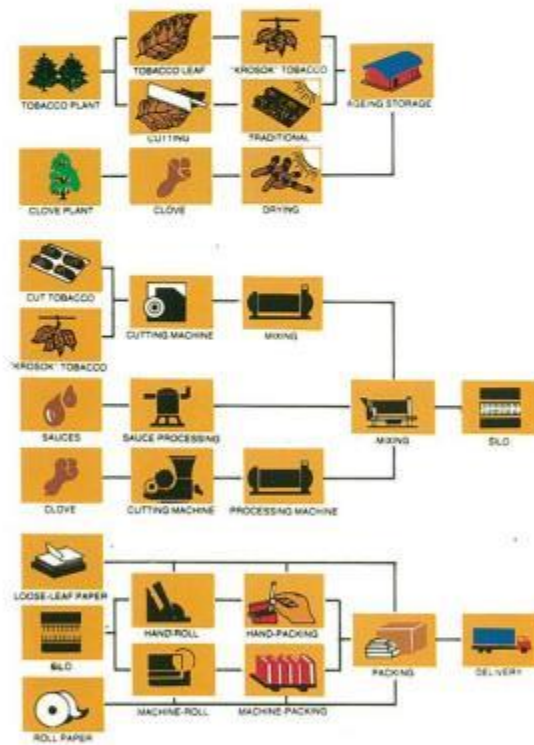
*Packaging Machine*

## f. Other Facilities

The Company has 5 (five) fire fighting units to protect the Company's assets against fire as well as to assist the municipality of Kediri.

### Production Process:

The whole process of cigarette production can be concisely depicted as follows:



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### **3. Supply of Raw Materials**

#### **a. Procurement of Raw Materials:**

Approximately 95% of the tobacco used by the Company is bought locally from farmers and Village Cooperative Units (KUD) in Dieng, Parakan, Weleri, Kedu, Mranggen, Boyolali, Salatiga, Tuban, Bojonegoro, Besuki, Paiton, Jember, Madura and Bali.

In order to ensure the continuous supply of good quality tobacco, the Company assists the tobacco farmers by providing them with fertilizer and financing, which are usually required at the start of the planting period. The Company has established and maintained good relationships with its tobacco suppliers for many years.

Around 5% of the tobacco processed is still imported and is blended with the tobacco bought locally.

The Company purchases all of its cloves locally from farmers, interinsular traders, and village cooperative units, especially from Manado, Toli-Toli, Ambon and Padang. Besides that the Company also purchases its cloves from other regions, e.g. West Java (Bogor), Central Java (Purwokerto), East Java (Trenggalek), Bali, Lampung, Aceh and Sinambang.

The supply of flavours is still dependent on import through Representative of the International Flavour Manufacturers, i.e. International Flavour Fragrance (IFF), Schimmel and Givaudan.

#### **b. Quality Control**

Quality Control plays a major role in the Company's operation and to ensure the consistent quality of tobacco, the Company supplies high quality seeds to the tobacco farmers, including guidance in planting and fertilization.

When harvesting begins the Company's graders apply their considerable skills in selecting the best grades of tobacco to be purchased. Tobacco cutting is precisely controlled by experts who have been specially trained in checking the quality of tobacco prior to sending it to warehouses.

---

During the tobacco aging process, the temperature and moisture readings in the warehouses are continuously monitored by experienced personnel, in order to maintain precise control.

#### **4. Research and Development**

Research and Development, conducted by the Company, covers the following:

##### **a. High Quality Seeds**

On participating in the Intensification of the Virginia Tobacco (ITV) and Intensification of People's Tobacco (ITR), the Company has been assisting in the research for new high quality seeds.

##### **b. Tobacco Planting Technology**

Besides the research for new high quality seeds, the Company is also making continuous efforts to improve the system and technique of tobacco cultivation, including a more efficient and effective way to guide the farmers.

##### **c. Alternative Product Lines with Lower Tar and Nicotine Content**

The Company has conducted research and development to launch a product line, which has a lower tar and nicotine content, in order to maintain and enlarge its export market share. For example in Singapore, where the anti-smoking campaign has been widely and consistently promoted, the Company can still maintain its market share in that country.

#### **5. Production Capacity**

Presently, the total production capacity of the Company can be outlined as follows:

##### **Raw Material Processing Machinery**

The raw material processing machineries consist inter alia of those made in Germany (Hauni) and in Italy (Comas). Presently the Company has 17 units of raw material processing machineries with a total installed capacity of 306,080 ton of processed tobacco per annum.

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### **Cigarette Making Machinery**

Presently, the Company has 54 units of cigarette making machineries, with speed capacities ranging between 2,200-5,500 sticks per minute and have a total installed capacity of 63,571,000,000 sticks per year. Utilized capacity at present is 50,857,000,000 sticks per annum. These machineries are mainly of type MK 8.SK (made in U.K) and Protos (made in Germany).

### **Cigarette Packing Machinery**

In order to support the cigarette production process the Company equipped its production processing line with the cigarette packing machineries supplied from U.K., Italy and Germany.

Presently the Company has 91 units of cigarette packing machineries, with speed capacities varying between 140 to 360 packets per minute.

Besides that, the Company has also 10 units self made printing machineries, 14 units pack making machineries, which are of Focke make (Germany) and Senzani make (Italy), and 21 units bale making machineries, which are made in Italy and Germany.

## VI.2. MARKETING ACTIVITIES

### 1. Products

The Product Brands of the Company are as follows:

#### ■ Klobot Clove Cigarettes

- |                                |                    |
|--------------------------------|--------------------|
| 1. Sigaret Kretek Klobot Manis | Content: 5 sticks  |
| 2. Sigaret Kretek Klobot Tawar | Content: 5 sticks  |
| 3. Sigaret Kretek Klobot Tawar | Content: 10 sticks |

#### ■ Hand-rolled Clove Cigarettes (Non-Klobot)

- |                                       |                    |
|---------------------------------------|--------------------|
| 1. GG Tanda Mata                      | Content: 10 sticks |
| 2. GG Taman Sriwedari Lurik           | Content: 10 sticks |
| 3. GG Taman Sriwedari Biru Lurik      | Content: 10 sticks |
| 4. GG Djaja Hijau                     | Content: 10 sticks |
| 5. GG Merah King Size (Karton/Ekspor) | Content: 10 sticks |
| 6. GG Merah King Size                 | Content: 12 sticks |
| 7. GG Merah King Size                 | Content: 10 sticks |
| 8. GG Special de Luxe (16 c)          | Content: 16 sticks |
| 9. GG Special de Luxe (20 c)          | Content: 20 sticks |

#### ■ Machine-made Clove Cigarettes (SKM)

- |  |                    |
|--|--------------------|
| 1. GG Filter International Merah           | Content: 12 sticks |
| 2. GG Filter International Coklat          | Content: 12 sticks |
| 3. GG Filter International Merah King Size | Content: 12 sticks |
| 4. GG Filter Surya                         | Content: 12 sticks |
| 5. GG Filter Surya                         | Content: 16 sticks |
| 6. GG Filter Surya                         | Content: 18 sticks |



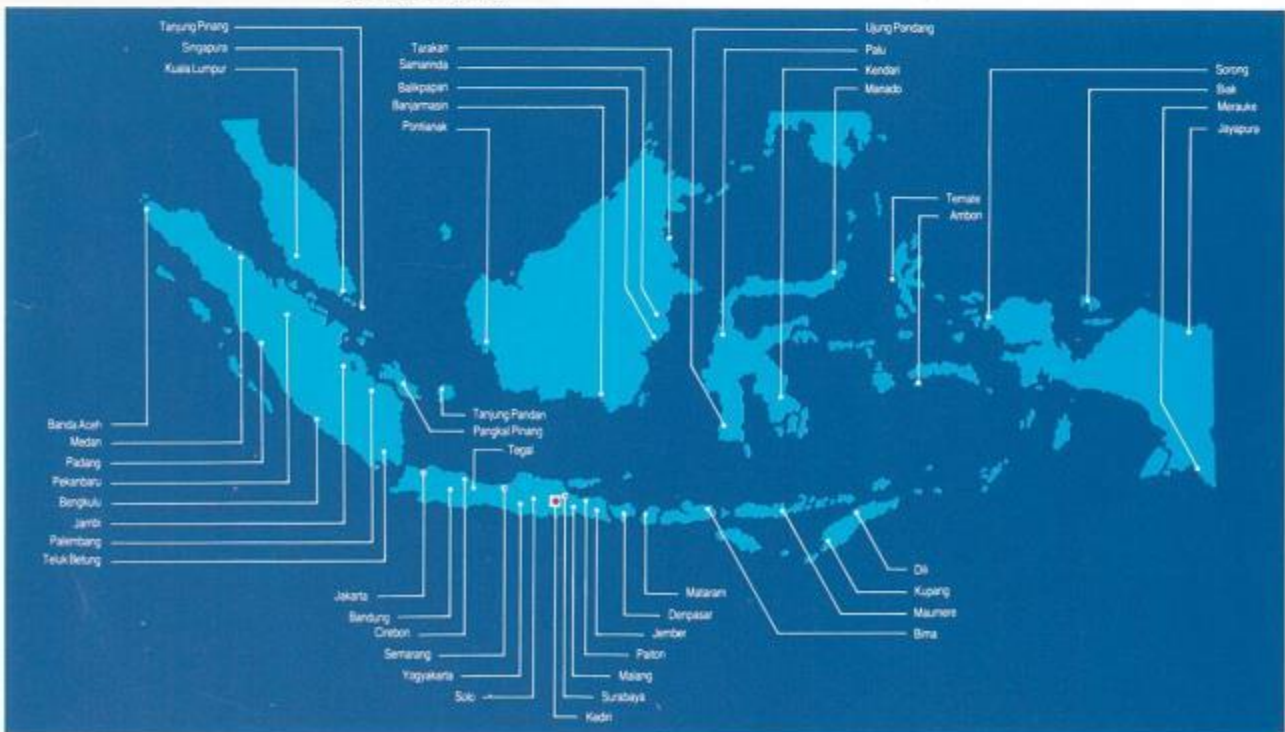
## 2. Channel of Distribution

Distribution is an important function in the marketing of cigarettes and to ensure its smooth operation the Company has recruited professionals to establish a marketing programme, in order to have the most effective and efficient distribution system in place, to conduct market surveys and analysis for each respective sales area, and to train the Company's sales force.

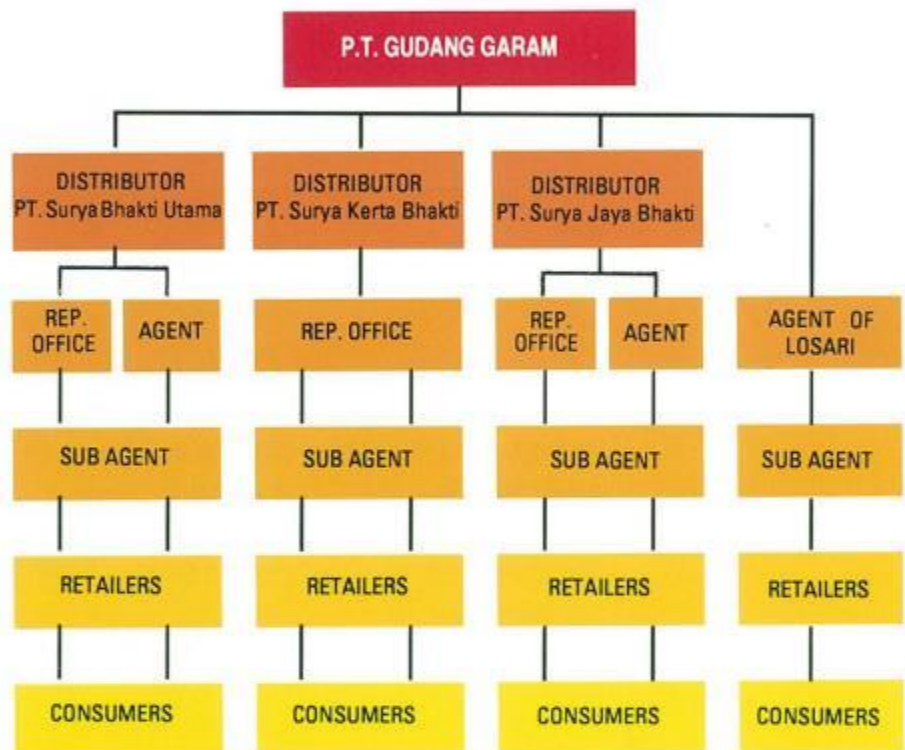
The Company has its own marketing strategy, which is known as "5 P", which means: Maximum coverage (Pemerataan), Market control (Pengawasan), Product availability (Pengisian), Guidance (Pengarahan) and Good Approach (Pendekatan). In order to achieve the smooth distribution of products from the factory to the retailer outlets all over Indonesia, as well as overseas, the Company is equipped with 3,000 trucks and vans.

### a. Domestic

The domestic distribution to warehouses and outlets nation wide is carried out through either inland or water transport, as well as by air. Presently the Company has 3 (three) Main Distributors: PT Surya Bhakti Utama, PT Surya Kerta Bhakti and PT Surya Jaya Bhakti. Besides that, the Company does a direct selling to an Agent in Losari due to the long time relationship with that Agent. The main distributors sell the products to the Agent, Sub-Agent and Retailers, which number approximately 400,000 all over Indonesia.



The distribution network of the Company can be depicted as follows:





## b. Export

Since 1972, the Company has exported its products overseas and have established good and expanding markets in Singapore, Malaysia, Brunei Darussalam, Hong Kong, Macau, Japan, Australia, New Zealand, Saudi Arabia, the United States of America, Hawaii, Guam, Switzerland, Canada and the Netherlands.

## 3. Promotion

The systematic and integrated promotion programme consists of:

- a. Multi-media advertising.
- b. Musical performances and art shows.
- c. Sports.
- d. Promotional gifts.

## 4. Growth of Production Volume Based On Excise Duty Paid

The kretek cigarette industry has an impressive growth rate from year to year. The following table shows that the average growth rate of production and excise duty paid by the clove cigarette industry over the last five years is 11.7% and 14.7% respectively per annum.

### The Growth of Indonesia's Kretek Cigarette Industry

Year	Production (in billion sticks)	Rate of Growth	Excise Tax (in billion Rupiah)	Rate of Growth
1985	83.41	13.59% (+)	768.13	19.05% (+)
1986	94.94	13.82% (+)	916.29	19.28% (+)
1987	107.11	12.81% (+)	967.36	5.57% (+)
1988	118.27	10.42% (+)	1,090.24	13.74% (+)
1989	127.54	7.84% (+)	1,267.00	16.21% (+)

Source: GAPPRI

### Indonesia's Kretek Cigarette Industry Growth Projection

Year	Production (in billion sticks)	Rate of Growth
1990	141.617	9.40%
1991	155.937	10.10%
1992	172.751	10.80%
1993	192.414	11.60%

Source: PT Capricorn Indonesia Consult Inc.

In line with the growth of the clove cigarette industry, the market demand for the Company's products is higher than competitors as outlined in the following table:

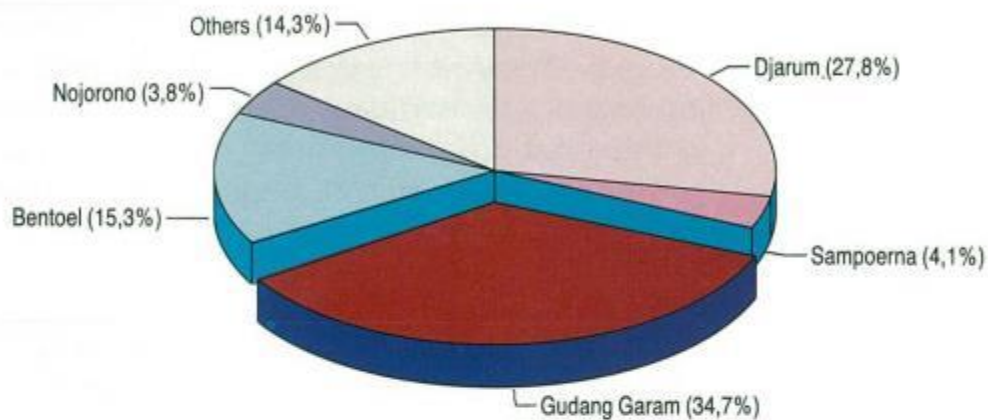
### The Company's Position Compared Against Other Kretek Cigarette Manufacturers

*In the period of January to May 1990*

Brand	Volume (Sticks)	%	Value (Rupiah)	%
Gudang Garam	20,979,703,600	34.74	248,400,158,500	38.59
Djarum	16,760,075,000	27.75	217,863,620,126	33.85
Bentoel	9,237,477,900	15.30	108,216,115,700	16.81
Sampoerna	2,461,680,000	4.08	28,901,046,500	4.49
Norojono	2,277,130,320	3.77	12,303,676,000	1.91
Others	8,670,896,722	14.36	27,935,208,690	4.35
<b>Total</b>	<b>60,386,963,542</b>	<b>100</b>	<b>643,619,825,516</b>	<b>100</b>

Source : GAPPRI

## MARKET SHARE OF CLOVE CIGARETTE



## Domestic and Export Sales Volume Data

(in billion sticks)

Year	The Company's Sales Volume		
	Domestic	Export	Total
1985	24.369	0.113	24.482
1986	33.346	0.115	33.461
1987	40.265	0.120	40.385
1988	40.334	0.156	40.490
1989	40.224	0.502	40.740
1990	25.315	0.307	25.622
(to June)			

---



### **VI.3. Business Prospect**

As reflected in the Report of the Association of Indonesian Cigarette Manufacturers (GAPPRI), the historical growth during the last 5 years (1985-1989), as well as the 5 year forecast for 1990-1994 with an average growth rate of 11.7% and 10.4% respectively, shows a promising prospect for the clove cigarette manufacturers. This projection was supported by the figures of Far Eastern Economic Review - March 1990 issue, Indonesian Statistic Data 1988 issued by the Bureau of Statistic Indonesia (BPS) and Asia Week Magazine of June 29, 1990, which disclosed the comparison per capita daily consumption of cigarettes in Indonesia (2.3 sticks), Japan (6.8 sticks), South Korea (5.4 sticks), Taiwan (4.6 sticks) and China (3.8 sticks).

In line with the above data and per capita daily consumption profile, the Company's growth during the past 5 (five) years showed an expanding market trend of an average 14.6% annual growth.

By taking into consideration the following factors, the Company's Board of Directors are very optimistic on the future prospects of the Company.

#### **1. "Premium Brands"**

The Company has in the market the following premium brands, i.e. Gudang Garam International, Surya 16, Gudang Garam 10 and Gudang Garam Merah 12, and hold a better market position than their competitors.

#### **2. Production Capacity**

The Company has adequate machinery to increase its production capacity to meet the growing demand for its cigarettes, as well as budgeting for new machineries for the future. To complement the above, the Company has its expansive distribution network, large fleet and strong capital base, which will be a great asset in launching product/business diversification in the future.

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## **VII. BUSINESS RISK**

The following are several business risk factors which may be encountered by the Company in its line of business.

### **1. Anti-Smoking Campaign**

The more aggressive a campaign on anti-smoking the greater influence it may have on the consciousness of the consumers and Government policy, which in turn could cause a reduction in cigarette consumption and even constitute grounds for prohibition to manufacture cigarettes.

To overcome this situation, the Company has carried out research and development activities in order to reduce any adverse side effects to health from smoking cigarettes. Also, in the long term, the Company has the potential to diversify its line of business in view of its large assets and widespread distribution network.

However, for a large sector of the public, smoking is an enjoyment and pleasure, therefore the Company is of the opinion that it will take a very long time to achieve the objective of any "anti-smoking" campaign or to expect the issuance of Government regulations to support the anti-smoking campaign, particularly in view of the vast employment created by the industry which is also the largest generator of excise duty to the Government.

### **2. Market Competition**

The market competition on several aspects of "marketing mix" within the cigarette industry is considered very keen, particularly among the big 3 companies who dominate and control approximately 90% of the market. This keen competition causes fluctuations in the sales fortunes of all cigarette manufacturers and which in turn reflects in their income.

To ensure our continued success, the Company has consistently taken the following steps:

- a. to intensify its distribution network;
- b. to adjust its pricing policy in terms of timing and level of increase;
- c. to promote its products effectively and to ensure the good quality of its products.

---

As a result of these actions, the Company has consistently achieved an excellent annual growth rate (see the graph on page 32).

### **3. Raw Materials**

The supply of the basic raw materials of the Company's products i.e. tobacco and cloves, are heavily dependent on the result of the annual harvest. If there is a poor harvest, this will reflect directly on all companies with regard to the quality and quantity of raw materials available.

To offset such occurrence the Company maintains safe buffer stocks, i.e. 26 months stock of tobacco and 10 months stock of cloves.

### **4. Energy**

Electricity is the one of the important service industries, which ensures the continued operation of the Company's production machinery. If there is any irregularity of supply from the PLN (State-owned Electricity Company) this will adversely affect the Company's production output.

In order to offset any such occurrence the Company has its own electrical power plant which can generate up to 17.5MW of electricity, which is sufficient to operate all of the Company's production machineries.

### **5. Government Policy**

Excise duty is still considered a major form of revenue of Government Budget. With increased activities in the development of the country, the need for greater revenue by the Government is sometimes needed and therefore a decision may be taken to implement a higher tariff on the excise duty, which could reflect in the Company's revenue.

To offset the above, the Company has taken several preventive measures, by among others, increasing its selling price to an appropriate level together with planned timing, so as to avoid any decrease in demand. Also the Company applies its best endeavours to increase efficiency and study thoroughly the characteristics of the market and the behaviour of its consumers, through consumer market surveys. As a result of these actions, the Company has so far successfully counteracted any previous increase in excise duty.

## VIII. FINANCIAL HIGHLIGHTS

The following illustrates the financial highlights of the Company for period of 3 (three) months ended March 31, 1990 and for the years ended December 31, 1989, and 1988.

The financial figures have been taken from the Company's Financial Statement as audited by Drs. Darmawan & Co., the Company's Public Accountant.

	(in million Rupiah)		
	March 31 1990	December 31 1989	December 31 1988
Net Sales	426,893	1,363,849	1,287,309
Operating Profits	97,520	315,546	307,472
Gross Profits	56,873	154,953	133,530
Net Income	24,471	30,056	10,917
Earnings Per Share	13.97	17.16	6.23
Current Assets	1,062,657	1,026,408	884,416
Participation	0	0	28,066
Fixed Assets (Net)	172,554	179,435	179,748
Other Assets	144,705	140,319	140,265
<b>Total Assets</b>	<b>1,379,916</b>	<b>1,346,162</b>	<b>1,232,495</b>
Current Liabilities	760,018	749,205	705,279
Long Term Liabilities	165,625	167,155	127,471
Shareholders' Equity	454,273	429,802	399,745
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,379,916</b>	<b>1,346,162</b>	<b>1,232,495</b>

### Financial Ratio:

Operating Profits to Sales Ratio	22.8%	23.1%	23.9%
Gross Profits to Sales Ratio	13.3%	11.4%	10.4%
Net Income to Sales Ratio	5.7%	2.2%	0.8%
Net Income to Shareholders' Equity Ratio	5.4%	7.0%	2.7%
Current Assets to Current Liabilities Ratio	1.4:1	1.4:1	1.2:1
Liabilities to Shareholders' Equity Ratio	2.0:1	2.1:1	2.1:1
Liabilities to Assets Ratio	0.7:1	0.7:1	0.7:1

## IX. SHAREHOLDERS' EQUITY

A summarized Profit and Loss Statement for the first quarter 1990 is also presented as additional information which has been audited by Drs. Darmawan & Co., the Company's Public Accountant.

The following illustrates the changes of Company's Shareholders' Equity for the last three months ended March 31, 1990 and for the years ended respectively December 31, 1989 and 1988. These figures are taken from the Company's Financial Statements which have been audited by Drs. Darmawan & Co., the Company's Public Accountant.

(in thousand Rupiah)

	<b>March 31 1990</b>	<b>December 31 1989</b>	<b>December 31 1988</b>
Share Capital	87,550,000	87,550,000	87,550,000
Surplus Revaluation	14,395	14,395	14,395
Retained Earnings	366,709,284	342,237,986	312,181,087
<b>Total Shareholders' Equity</b>	<b>454,273,679</b>	<b>429,802,381</b>	<b>399,745,482</b>

In connection with the proposed public offering of its shares, the Company has amended its capital structure in line with the resolution of the Extraordinary Shareholders Meeting by virtue of Deed No.38 dated June 6, 1990 drawn up before Notary Public Amrul Partomuan Pohan, SH LLM, and in compliance with Deed No.28 dated July 7, 1990 which was legalized by the Minister of Justice of Indonesia by virtue of his Decree No.C2-4057.HT.01.04-TH.90 dated July 11, 1990.

The changes of the capital structure are as follows:

1. The authorized capital of the Company, originally Rp.87,550,000,000.- consists of 1,751 shares with a par value of Rp.50,000,000.- per share was changed to Rp.580,000,000,000.- consisting of 580,000,000 shares with a par value of Rp.1,000.- per share.
2. The original issued and paid-up capital Rp. 87,550,000,000.- have been increased to Rp. 423,214,200,000.- which is originated from the following:
  - a. the original paid-up capital of Rp. 87,550,000,000.-.



- b. the capitalisation of Surplus of Revaluation of Fixed Assets of Rp. 14,395,229.-
- c. the capitalisation of Retained Earnings of Rp. 211,965,281,527.- consist of reserves of Rp. 80,000,000,000.- and Retained Earnings of Rp. 131,965,281,527.-
- d. the capitalisation of shareholders' loan of Rp. 123,684,523,244.-

It the changes of the company's capital structure in connection with the public offer as above outlined, and the public offer of 57,807,800 shares with a par value of Rp. 1,000.- per share at a price of Rp. 10,250.- would have occurred as of March 31, 1990 the proforma capital structure of the company as of the date shall be as follows :

(IN RP MILLION)	SHARE CAPITAL	AGIO	DIFFERENCE ON REVALUATION OF FIXED ASSETS	RETAINED EARNINGS	STOCKHOLDERS' EQUITY
- POSITION AS PER AUDITED STATEMENT OF DECEMBER 31, 1989	87,550	-	14	343,238	429,802
- NET PROFIT FOR THE THREE MONTHS ENDED MARCH 31, 1990	-	-	-	24,471	24,471
- POSITION AS AUDITED STATEMENTS OF MARCH 31, 1990	87,550	-	14	367,709	454,273
- CHANGES IN STOCKHOLDERS' EQUITY AFTER BUT ASSUMED TO OCCUR ON MARCH 31, 1990					
- CAPITALISATION OF DIFFERENCE ON REVALUATION OF FIXED ASSETS	14	-	(14)	-	-
- CAPITALISATION OF RETAINED EARNINGS	211,965	-	-	(211,965)	-
- CAPITALISATION OF SHAREHOLDERS' LOAN	123,685	-	-	-	123,685
- SHARES OFFERED TO PUBLIC	57,808	534,722	-	-	592,530
- PROFORMA AS OF MARCH 31, 1990	481,022	534,722	-	155,744	1,170,488

## X. DIVIDEND POLICY

The Company plans to pay a dividend at least once a year. The amount of the dividend to be paid will be contingent on the level of the Company's profitability during the corresponding year and without prejudice to the prerogatives rights of the shareholders to determine the dividend payment as stipulated in the Company's Articles of Association.

Based on the above, the Board of Directors have the intention to propose the following dividend amount:

<b>Net Profit After Tax</b>	<b>Dividend (% of Net Profit)</b>
1. Less than Rp.170 bio	20% - 30%
2. Rp.170 bio and more	31% - 40%

The public shareholders originated from the public offering will have the equal rights with the other Company's shareholders and will be entitled to dividend payment for the first time from Company's profit of 1990 which is scheduled for payment during the third quarter 1991.

## **XI. UNDERWRITING**

Upon the terms and subject to the conditions contained in the Underwriting Agreement dated July 14, 1990 and the agreement among the Underwriters dated July 16, 1990, the Underwriters named below have jointly and severally agreed to fully underwrite an aggregate of 57,807,800 Registered Common Shares being offered by the Company to the public.

### **Lead Underwriters:**

1. PT (Persero) Danareksa
2. PT Merchant Investment Corporation (MERINCORP)
3. PT Multinational Finance Corporation (MULTICOR)
4. PT Surya Securities
5. PT FINCONESIA

### **Managing Underwriters:**

1. PT (Persero) Danareksa
2. PT Merchant Investment Corporation (MERINCORP)

### **Sub-Underwriters:**

1. PT Indonesian Finance and Investment Company (IFI)
2. PT Lippin Securities
3. PT Bank Pembangunan Indonesia (BAPINDO)
4. PT Wardley James Capel Indonesia
5. PT Mitra Duta Sekuritas
6. PT Private Development Finance Company of Indonesia (PDFCI)
7. PT Danamon Securities
8. PT Indocitra Securities
9. PT Indosurya Securities
10. PT Indover Sekuritas Company
11. PT Primarindo Securities
12. PT Anekareksa Securities Corporation
13. PT Deemte Artadharma Sekuritas
14. PT First Indonesian Finance & Investment Corporation (FICORINVEST)

- 
- 
15. PT Mutual International Finance Corporation (MIFC)
  16. PT Niki Asiasecurindo
  17. PT Pentasena Arthasentosa
  18. PT Piranti Ciptadhana Amerta Securities
  19. PT Dharmala Artha Sejahtera
  20. PT Panin Securitasingdo

## XII. OTHER PROFESSIONAL PARTIES

Other parties involved in the offering of the Company's shares, beside the Underwriters, are as follows:

- Public Accountant** : Darmawan & Co  
Jl. R. Saleh No. 1 B  
Jakarta 10430  
Tel: 320952, 323756, 323787,  
323769, 325191, 334639.  
Telex: 46642 DTR IA  
Cable: TOUCHEROSS  
Fax: 324532
- Notary Public** : Amrul Partomuan Pohan, SH, LL.M  
Jl. Cikajang No. 14  
Kebayoran Baru, Jakarta Selatan  
Tel: 713674, 7202080  
Fax: 7202080
- Issuer's Legal Counsel** : Makarim & Taira S.  
Summitmas Tower, 17th Floor  
Jl. Jend. Sudirman Kav. 61  
Jakarta 12920  
Tel: 5200272, 5701276  
Telex: 46580 JURESE  
Fax: 588812, 5201750
- Underwriters' Legal Counsel** : Tumbuan Associates  
Wisma Dharmala Sakti 6th Fl.  
Jl. Jend. Sudirman 32  
Jakarta  
Tel: 5703100  
Fax: 5704001
- Appraiser** : Bintang Dharma Hurip  
Jl. Teluk Betung No. 54  
Jakarta 10230  
Tel: 323133, 3231478, 3236781  
Telex: 61352 PAROLA IA  
Fax: 321406



### XIII. LEGAL OPINION

#### MAKARIM & TAIRA S.

TELEPHONE : 5200272. 5701276  
TELEX : 46580 JURESE  
FACSIMILE : 62-21-588812  
62-21-5201750

SUMMITMAS TOWER LEVEL 17  
JL. JEND. SUDIRMAN 81  
JAKARTA - INDONESIA

Ref.: 1002/365.016/90-C/RI/RS/ME-jb

14 July 1990

P.T. (Persero) DANAREKSA  
Jl. Medan Merdeka Selatan No.14  
Jakarta

P.T. MERCHANT INVESTMENT  
CORPORATION (MERINCORP)  
Summitmas Tower, level 21  
Jl. Jenderal Sudirman Kav.61-62  
Jakarta Selatan

P.T. MULTINATIONAL FINANCE  
CORPORATION (MULTICOR)  
Wisma BCA, 12th Floor  
Jl. Jenderal Sudirman Kav.22-23  
Jakarta

P.T. SURYA SECURITIES  
Jl. Tanah Abang II/43  
Jakarta

P.T. FINCONESIA  
Summitmas Tower, 15th Floor  
Jl. Jenderal Sudirman Kav.61-62  
Jakarta Selatan

Dear Sir,

Re: **Legal Opinion Issued in Relation to the  
Issuance of Shares of P.T. Perusahaan Rokok  
Tjap Gudang Garam Abbreviated to P.T. Gudang Garam**

In relation to the intention of P.T. Perusahaan Rokok Tjap Gudang Garam, also known as P.T. Gudang Garam, (hereinafter referred to as the "Company"), domiciled in Kediri, East Java, to issue 57,807,800 (fifty-seven million eight hundred seven thousand and eight hundred) registered common shares (hereinafter referred to as "Shares") which shall be offered and sold to the public through the Stock Exchange in Indonesia and in order to fulfill preliminary requirements stipulated in Article 15 of the Underwriting Agreement, in deed number 64 dated 14 July 1990 made before Amrul Partomuan Pohan, S.H., LL.M., Notary in Jakarta, we, Makarim

## MAKARIM &amp; TAIRA S.

& Taira S., as independent legal consultant, have been requested by the Company to issue an opinion regarding the Company's status and data from a legal perspective.

We base our opinion on examination of documents or instruments, either originals or copies thereof, and on information presented by authorized parties as well as by the Directors of the Company, either orally or in writing, including but not limited to:

- I. Articles of Association of the Company and any amendments, supplements and rectifications thereto;
- II. Permits which have been obtained by the Company comprising of:
  1. Business Permits issued in the framework of Domestic Capital Investment
    - 1.1. Letter of the Technical Committee on Capital Investment of the Sub-Committee for Domestic Capital Investment No.155/Sekr/Sp.PMDN/1970 dated 31 January 1970.
    - 1.2. Letter of the Technical Committee on Capital Investment of the Sub-Committee for Domestic Capital Investment No.1009/Sekr/Sp.PMDN/70 dated 11 July 1970.
    - 1.3. Letter of the Technical Committee on Capital Investment of the Sub-Committee for Domestic Capital Investment No.707/Sekr/Sp.PMDN/72 dated 8 May 1972.
    - 1.4. Letter of the Technical Committee on Capital Investment of the Sub-Committee for Domestic Capital Investment No.1213/Sekr/Sp.PMDN/72 dated 14 August 1972.
    - 1.5. Permanent Approval of the Chairman of the Coordinating Board for Capital Investment No.17/II/PMDN/1979 dated 22 March 1979.
  2. Industrial Permit for Producing Hand-Rolled Clove Cigarettes

The Permanent Permit is issued by virtue of Decree of the Minister of Industry No.173/DJAI/IUT-1/PMDN/V/1990 dated 31 May 1990.



This permit is valid for as long as the Company is in production.

3. Industrial Permit for Producing Machine-Made Clove Cigarettes

The Permanent Permit is issued by virtue of Decree of the Minister of Industry No.086/DJAI/IUT-1/PMDN/II/1988 dated 27 February 1988. This permit is valid for as long as the Company is in production.

4. Business Permit for Drying and Processing Tobacco

The Permanent Permit is issued by virtue of Decree of the Minister of Industry No.015/DJAI/IUT-1/Non PMA-PMDN/I/1988 dated 21 January 1988, and has been valid from 13 January 1988. This permit is valid for as long as the Company is in production.

5. Business Permit for Weaving Undertaking

The Permanent Permit is issued by virtue of Decree of the Minister of Industry No.292/DJAI/IUT-III/Non PMA-PMDN/VII/1989 dated 25 July 1989. This permit is valid for as long as the Company is in production.

6. Offset Printing Business Permit

The Permanent Permit is issued by virtue of Decree of the Minister of Industry No.146/DJAI/IUT-DV/PMDN/IV/88 dated 8 April 1988. This permit is valid for as long as the Company is in production.

7. Engraving Business Permit

The Permanent Permit is issued by virtue of Decree of the Minister of Industry No.278/DJAI/IUT-D.IV/NONFAS/V/1987 dated 18 May 1987. This permit is valid for 5 years from its issuance date.

The scope of this permit was extended to include Fine Packaging pursuant to a Temporary Business Permit issued by virtue of Decree of the Minister of Industry No.279/DJAI/IUS-D.IV/NONFAS/V/1987 dated 18 May 1987. This permit by virtue of Letter of Ministry of Industry No.169/DJAI/PP/D.IV/II/1988 dated 5 February

1988 is treated as an approval in principal with no time limit. Furthermore, Letter of the Ministry Industry No.192/DJAI/ II/1988 dated 10 February 1988 states that the Permanent Permit will be issued after the commencement of commercial production.

8. Corrugated Cardboard Box Business Permit

The Permanent Permit is issued by virtue of Decree of the Minister of Industry No.055/DJAI/IUT-D.IV/NONFAS/II/1987 dated 4 February 1987, valid since 2 March 1987. This permit is valid for 5 years.

9. Printing Ink Business Permit

The Permanent Permit is issued by virtue of Decree of the Minister of Industry No.473/DJAI/IUT-D.IV/NONFAS/X/1986 dated 6 October 1986. This permit is valid for 5 years from its issuance date.

10. Permits Issued in the Framework of the Nuisance Law

- 10.1. Decree of the Mayor of Kediri No.12 dated 27 August 1973 to expand the scope of the cigarette business permit issued by the Mayor of Kediri No.10 dated 15 May 1971.
- 10.2. Decree of the Regent of Kediri No.584/TAHUN/1980 dated 14 June 1980, to expand the Company's factory and residential areas/employees dormitories in Karangrejo and Kwadungan Villages, Gampengrejo District.
- 10.3. Decree of the Regent of Kediri No.503/469/443.04/1981 dated 30 July 1981, to construct a cafeteria, swimming pool and tennis court in Karangrejo Village, Dukuh Dlopo, Gampengrejo District.
- 10.4. Decree of the Regent of Kediri No.503/200/443.14/1983 dated 28 February 1983, to construct a laminating workshop in Karangrejo Village, Gampengrejo District.

- 10.5. Decree of the Mayor of Kediri No.188.45/354/441.12/1988 dated 18 July 1988 to construct a cigarette factory at Jalan Semampir Gg II/1 Kediri.
- 10.6. Decree of the Mayor of Kediri No.188.45/353/441.12/1988 dated 18 July 1988, to construct a cigarette rolling cloth and serviette factory at Jalan Sersan KKO Usman No. 27 Kediri.
- 10.7. Decree the Mayor of Kediri No.188.45/352/441.12/1988 dated 18 July 1988, to construct a cigarette factory, storage facilities and garages at Jalan Desa Dandangan, Kota Kediri District.
- 10.8. Decree of the Mayor of Kediri No.HK.031/289/80/HO/03 dated 29 February 1980 to construct a cigarette factory in Ngadirejo Village.
- 10.9. Decree of the Mayor of Kediri No.188.45/30/441.12/1986 dated 24 February 1986 to construct a storage facility at Jalan Selowarih Desa Ngadirejo.
- 10.10. Decree of the Mayor of Kediri No.188.45/29/441.12/1986 dated 24 February 1986 to construct a garage/car-wash area at Jalan Selowarih, Dandangan Village.
- 10.11. Decree of the Mayor of Kediri No.188.45/355/441.12/1988 dated 18 July 1988 to construct houses for employees and storage facilities at Jalan Major Bismo Kediri.
- 10.12. Decree of the Regent of Kediri No.194 of 1985 dated 20 March 1985, to develop new areas for drying cloves in Jongbiru and Kwadungan Villages, Gampengrejo District.
- 10.13. Decree of the Regent of Kediri No.578 of 1985 dated 26 September 1985 to construct storage facilities, an area for drying cloves, and houses for employees in Jongbiru Village, Gampengrejo District.
- 10.14. Decree of the Mayor of Kediri No.188.45/229/441.12/1986 dated 4 September 1986

to construct facilities for storing/dumping fuels for own use at the Company's Unit III complex, Dandangan Village, valid for 5 years.

- 10.15. Decree of the Mayor of Kediri No.188.45/230/441.12/1986 dated 4 September 1986, to construct facilities for storing/dumping fuels for own use at the Company's Unit V complex, Ngadirejo Village, valid for 5 years.

11. Limited Import Permit

Limited Importer Identification Number No.3974N, issued by the Director of Imports at the Directorate of Imports, Ministry of Trade, on 6 October 1988. This permit is valid for as long as the Company is in production.

12. Building Permits

The Building Permits possessed by the Company are described in detail in Attachment I.

13. In relation to Tax, the Company possesses:

13.1. Letter of the Directorate General of Taxation, Tax Services Office of Kediri No.S-118/WPJ.09/KP.08/1990 dated 23 May 1990 which states that up to the year 1989, the Company has fulfilled all its tax obligations.

13.2. Tax Registration Number : 1.107.155.2-622, registered at the Tax Services Office of Kediri.

14. Permits Issued in Relation to the Issuance of Shares to the Public

14.1. Letter of the Coordinating Board of Capital Investment No.751/A.4/1990 dated 2 July 1990.

14.2. Letter of Bank Negara Indonesia 1946 No.KPS/2/549/RAH dated 26 May 1990.

14.3. Letter of Bank Negara Indonesia 1946 as agent of Bank Negara Indonesia 1946, Bank Rakyat Indonesia, Bank Duta, the Gajah Mada Branch of Bank Niaga and

Bank Internasional Indonesia No.KPS/5/1122 dated 15 June 1990.

- 14.4. Letter of the Singapore Branch of Bank Negara Indonesia 1946 as agent of the Singapore and the Cayman Island Branches of Bank Negara Indonesia 1946, the Singapore Branch of The Fuji Bank Limited, the Singapore branch of Banque Nationale de Paris, the Hong Kong Branch of Credit Agricole, Bank of America NT & SA, P.T. Bank Niaga (Los Angeles Agency), N.V. De Indonesische Overzeese Bank (The Indonesia Overseas Bank) and Summa International Finance Co. Limited No.SNG/0353/C/90 dated 2 July 1990.
  - 14.5. Letter of the Singapore Branch of The Sumitomo Bank Limited, dated 7 June 1990.
  - 14.6. Letter of the Singapore Branch of The Chase Manhattan Bank N.A., dated 28 June 1990.
- III. Documents relating to the ownership and or possession of land titles and which relate to the transfer of land titles as described in Attachment II;
- IV. Agreements with Third Parties.
1. Credit Agreements with Foreign Lenders
    - 1.1. Loan Agreement dated 9 May 1988 and Amendment Agreement to the Loan Agreement dated 20 March 1990 between: the Singapore Branch of Bank Negara Indonesia 1946 and the Company.

The Loan Agreement is secured by a Standby Letter of Credit issued by banks and financial institutions as listed below, by virtue of Standby Letter of Credit Facility Agreement dated 9 May 1988 between: the Company and the Singapore Branch of Bank Negara Indonesia 1946, the Cayman Island Branch of Bank Negara Indonesia 1946, the Singapore Branch of the Fuji Bank Limited, the Singapore Branch of Banque Nationale de Paris, the Hong Kong Branch of Credit Agricole, Bank of

America, NT & SA, P.T. Bank Niaga (Los Angeles Agency), N.V. De Indonesische Overzeese Bank (The Indonesia Overseas Bank) and Summa International Finance Co. Limited.

- 1.2. Loan Agreement dated 10 July 1989 between the Company and the Singapore Branch of The Sumitomo Bank Limited.

2. Credit Agreement with Domestic Lenders.

- 2.1. Loan Agreement No. 25 dated 3 May 1989 and Addendum No. 30 dated 8 May 1990, both made before Sumardilah Oriana Roosdilan, S.H., Notary; between the Company and Bank Negara Indonesia 1946, Bank Rakyat Indonesia, Bank Duta, Bank Internasional Indonesia, and Bank Niaga.

- 2.2. Agreements between the Company and Bank Negara Indonesia 1946:

2.2.1 Loan Agreement No.73 dated 10 April 1987, made before Sumardilah Oriana Roosdilan, S.H., Notary, and its amendments i.e.: Amendment to the the Loan Agreement No.(2) 73 signed on 23 December 1987, Amendment to the Loan Agreement No.(2) 73 dated 10 April 1987 signed on 28 April 1988, Amendment to the Loan Agreement No.(3) 73 dated 10 April 1987 signed on 26 April 1989 and Amendment to the Loan Agreement No.(4) 73 signed on 5 May 1990.

2.2.2. Loan Agreement No.74 dated 10 April 1987, made before Sumardilah Oriana Roosdilan, S.H., Notary and its amendments, i.e.: Amendment to the Loan Agreement No.(2) 74 dated 10 April 1987 signed on 28 April 1988, Amendment to the Loan Agreement No.(3) 74 dated 10 April 1987 signed on 26 April 1989, Amendment to the Loan Agreement No.(4) 74 signed on 5 May 1990.

- 2.2.3. Loan Agreement No.111 dated 14 October 1987, made before Sumardilah Oriana Roosdilan, S.H., Notary and its amendments, i.e.: Amendment to the Loan Agreement No.(2) 111 signed on 23 December 1987, Amendment to the Loan Agreement No.(3) 111 dated 14 October 1987 signed on 28 April 1988, Amendment to the Loan Agreement No.(4) 111 dated 14 October 1987 signed on 26 April 1989 and Amendment to the Loan Agreement No.(5) 111, signed on 5 May 1990.
- 2.2.4. Loan Agreement No.138 dated 19 February 1988 made before Sumardilah Oriana Roosdilan, S.H., Notary, Amendment to the Loan Agreement No.(1) 138 dated 19 February 1988 signed on 17 September 1988 and Amendment to the Loan Agreement No.(2) 138 signed on 20 December 1989.
- 2.2.5. Loan Agreement No.164 dated 17 September 1988 made before Sumardilah Oriana Roosdilan, S.H., Notary, Amendment to the Loan Agreement No.(1) 164 dated 17 September 1988 signed on 26 April 1989, and Amendment to the Loan Agreement No.(2) 164 signed on 5 May 1990.
- 2.2.6. Loan Agreement No.167 dated 17 September 1988 made before Sumardilah Oriana Roosdilan, S.H., Notary and Amendment to the Loan Agreement No.(1) 167 signed on 20 December 1989.
- 2.2.7. Loan Agreement No.169 dated 17 September 1988 made before Sumardilah Oriana Roosdilan, S.H., Notary and Amendment to the Loan Agreement No.(1) 169 signed on 20 December 1989.
- 2.2.8. Loan Agreement No.171 dated 17 September 1988 made before Sumardilah Oriana Roosdilan,

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S.H., Notary and Amendment to the Loan Agreement No.(1) 171 signed on 20 December 1989.

2.2.9. Loan Agreement No.173 dated 17 September 1988 made before Sumardilah Oriana Roosdilan, S.H., Notary and Amendment to the Loan Agreement No.(1) 173 signed on 20 December 1989.

2.2.10 Loan Agreement No.55 dated 20 December 1989 made before Suroso, S.H., Notary.

2.2.11 Loan Agreement No.59 dated 20 December 1989 made before Suroso, S.H., Notary.

2.2.12 Agreement to Grant Security/ Guarantee No.62 dated 20 December 1989 made before Suroso, S.H., Notary and Agreement to Grant Security/ Guarantee No.31 dated 8 May 1990, made before Sumardilah Oriana Roosdilan, S.H., Notary.

2.2.13 Agreement to Open a Letter of Credit No.63 dated 20 December made before Suroso, S.H., Notary.

3. Security Agreements Between the Company and Lenders

3.1. Between the Company and the Singapore Branch of Bank Negara Indonesia 1946 as agent of the Cayman Island Branch of Bank Negara Indonesia 1946, the Singapore Branch of The Fuji Bank Limited, the Singapore Branch of Banque Nationale de Paris, the Hong Kong Branch of Credit Agricole, Bank of America, NT & S.A., P.T. Bank Niaga (Los Angeles Agency), N.V. de Indonesische Overzeese Bank (the Indonesia Overseas Bank) and Summa International Finance Co. Limited:

3.1.1. Fiduciary Transfer of Proprietary Rights for Security



Purposes (Machinery and Equipment) dated 9 May 1988.

- 3.1.2. Insurance Assignment dated 9 May 1988.
- 3.1.3. Irrevocable Guarantee (Offshore) by Mr. Rachman Halim dated 9 May 1988.
- 3.2. Between the Company and Bank Negara Indonesia 1946 as agent of Bank Negara Indonesia 1946, Bank Rakyat Indonesia, Bank Duta, Bank Niaga and Bank Internasional Indonesia:
  - Fiduciary Transfer of Proprietary Rights for Security No.27 dated 3 May 1989, made before Sumardilah Oriana Roosdilan, S.H., Notary.
- 3.3. Between the Company and Bank Negara Indonesia 1946:
  - 3.3.1. Fiduciary Transfer of Proprietary Rights for Security No.57, 58, 61, and 64 dated 20 December 1989 made before Suroso, S.H., Notary
  - 3.3.2. Fiduciary Transfer of Proprietary Rights for Security No.140 dated 19 February 1988, made before Sumardilah Oriana Roosdilan, S.H., Notary
  - 3.3.3. Personal Guarantee (Borgtocht) No.141 by Mr. Rachman Halim dated 19 February 1988 made before Sumardilah Oriana Roosdilan, S.H., Notary
  - 3.3.4. Powers of Attorney to Establish Hypothec No.142, 143, 144, 145, 147, 148 and 149 dated 19 February 1988, made before Sumardilah Oriana Roosdilan, S.H., Notary

4. Miscellaneous

- 4.1. Agreements between the Company and Papeteries Braunstein S.A., France and P.T. Garmak Motor:
    - 4.1.1. Joint Venture Agreement dated 8 November 1984;
    - 4.1.2. Technical Assistance Agreement dated 8 November 1984;
    - 4.1.3. Licence Agreement dated 8 November 1984;
    - 4.1.4. Amendment to the Joint Venture Agreement and Technical Assistance Agreement dated 20 December 1986.
  - 4.2. Agreement dated 30 November 1985 between the Company and P.T. Surya Bhakti Utama.
  - 4.3. Agreement on Indebtedness dated 2 January 1990 between the Company and P.T. Surya Zig Zag, domiciled in Kediri.
- V. Registrations of the trademark "Gudang Garam" and other trademarks at the the Directorate General of Intellectual Property Rights, Patent and Trademark at the Ministry of Justice as described in Attachment III;
- VI. Insurance policies for covering risks which may arise against the assets of the the Company as described in Attachment IV;
- VII. Other documents which we view to be relevant in relation to the issuance of the Company's shares to the public through the Stock Exchange in Indonesia.

In conducting our examination, we assume the genuineness of all signatures existing on original documents, as well as on documents which have been submitted to us as copies of the originals, that all such copies are in conformity with the original, and that parties who or which have entered into agreements with the Company and/or government officials who have issued the abovementioned licenses to the Company are authorized to do so.

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After examining the abovementioned documents within the framework of Indonesian law, we are of the following opinion:

1. The Company is a legal entity, domiciled in Kediri, formed and incorporated pursuant to the prevailing laws of the Republic of Indonesia.
2. The Company was incorporated by virtue of deed No.10 dated 30 June 1971 as amended by deed No.13 dated 13 October 1971, both made before Suroso, S.H., Temporary Deputy Notary in Kediri and approved by the Minister of Justice of the Republic of Indonesia by virtue of Decree No.J.A.5/197/7 dated 17 November 1971 and published in the State Gazette of the Republic of Indonesia No.104 dated 28 December 1971, Supplement No.586. These Articles of Association were amended as follows:
  - 2.1. The Articles of Association were first amended by virtue of deed number 3 dated 6 March 1973, and further amended by deed No.3 dated 3 May 1973, both made before Suroso, S.H., Temporary Deputy Notary in Kediri. These amendments obtained approval from the Minister of Justice of the Republic of Indonesia by virtue of Decree No.Y.A.5/275/1 dated 25 July 1973, and both were published in the State Gazette of the Republic of Indonesia dated 28 June 1985 No.52, Supplement No.899.
  - 2.2. This deed was subsequently amended by deed No.17 dated 24 August 1974 and deed No.28 dated 21 December 1974, both made before Suroso, S.H., Temporary Deputy Notary in Kediri. These deeds obtained approval from the Minister of Justice of the Republic of Indonesia by virtue of Decree No.Y.A.5/ 142/18 dated 13 November 1975 and all were published in the State Gazette of the Republic of Indonesia No.104, dated 30 December 1975, Supplement No.790.
  - 2.3. This deed was further amended by deed No.29 dated 17 January 1980 made before Suroso, S.H., Temporary Deputy Notary in Kediri. This deed obtained approval from the Minister of Justice of the Republic of Indonesia by virtue of Decree No.Y.A.5/52/17 dated 29 February 1980 and both were published in the State Gazette of the Republic of Indonesia dated 26 August 1983 No.68, Supplement No.777.
  - 2.4. This deed was then amended by deed No.12 dated 7 October 1980 made before Suroso, S.H.,

Notary in Kediri. This amendment obtained approval from the Minister of Justice of the Republic of Indonesia by virtue of Decree No.C2-1040-HT.01.04.TH '82 dated 31 August 1982 and both were published in the State Gazette of the Republic of Indonesia dated 26 August 1983 No.68, Supplement No.778.

- 2.5. The subsequent amendment was by virtue of deed No.13 dated 7 March 1983 and deed No.48 dated 27 December 1983, both made before Suroso, S.H., Notary in Kediri. These two deeds obtained approval from the Minister of Justice of the Republic of Indonesia by virtue of Decree No.C2-3842-HT.01.04.TH '84 dated 11 July 1984 and all were published in the State Gazette of the Republic of Indonesia No.70, dated 31 August 1984, Supplement No.862.
- 2.6. This deed was then further amended by deed No.18 dated 13 June 1985 made before Suroso, S.H., Notary in Kediri and approved by the Minister of Justice of the Republic of Indonesia by virtue of Decree No.C2-5280-HT.01.04 TH '85 dated 21 August 1985 and both were published in the State Gazette of the Republic of Indonesia No.86, dated 25 October 1985, Supplement No.1316.
- 2.7. This deed was then amended by deed No.47 dated 30 November 1987, made before Suroso, S.H., Notary in Kediri. This deed obtained approval from the Minister of Justice of the Republic of Indonesia by virtue of Decree No.C2-4396-HT.01.04 TH '88 dated 11 May 1988 and both were published in the State Gazette of the Republic of Indonesia No.77 dated 26 September 1989, Supplement No.2069.
- 2.8. The subsequent amendment was made by virtue of deeds No.38 and 39 dated 6 June 1990 made before Amrul Partomuan Pohan, S.H., LL.M, Notary in Jakarta and deed No.28 dated 11 June 1990 made before Suroso, S.H., Notary in Kediri.
- 2.9. The last amendment was made by virtue of deed No.28 dated 7 July 1990 made before Amrul Partomuan Pohan, S.H., LL.M, Notary in Jakarta. This deed obtained approval from the Minister of Justice on 11 July 1990 by virtue of Decree No.C2-4057-HT.01.04.TH '90.

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3. In the course of offering and selling shares to the public, the Articles of Association of the Company were completely amended, which amendment is contained in deed No.28 dated 7 July 1990 made before Amrul Partomuan Pohan, S.H., LL.M., Notary in Jakarta and which obtained approval from the Minister of Justice on 11 July 1990 by virtue of Decree No.C2-4057-HT.01.04. TH'90.
4. Pursuant to Article 2 of the Company's Articles of Association, the Company's scope of activity is:
  - 4.1.
    - a. to establish and operate a manufacturing company in the broadest sense of the words, in particular cigarette manufacturing, including elements of or apparatus relating to cigarettes and other products which are used or required in the manufacture of cigarettes;
    - b. to undertake business in the cultivation of tobacco, cloves, and other plants;
    - c. to operate a tobacco factory, process tobacco, cloves and other related products;
    - d. to sell its products on the domestic and foreign markets in the broadest sense of the words.
  - 4.2. The Company is entitled to establish, take part in establishing or participate in other companies or other entities with the same or similar purposes and objectives, both through joint ventures or joint enterprises.
  - 4.3. In order to achieve the said purposes and objectives, the Company is entitled to carry out any activities beneficial for the Company, without prejudice to the prevailing laws and regulations, the general order, morality and or other rights of other parties.
5. All of the 57,807,800 (fifty seven million eight hundred seven thousand and eight hundred ) registered common shares which will be offered to the public through the Stock Exchange originate from unissued shares (new shares).

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6. Up to the issuance date of this legal opinion and by virtue of deed No.28 dated 7 July 1990, made before Amrul Partomuan Pohan, S.H., LL.M, Notary in Jakarta, the composition of the Company's shareholding is as follows:

Mrs. Tan Siok Tjien	131,800,000	shares
Mr. Rachman Halim	76,000,000	shares
Mrs. Yuni Setiawati Wonowidjojo	34,800,000	shares
Mr. Susilo Wonowidjojo	50,800,000	shares
Mr. Sigid Sumargo Wonowidjojo	47,900,000	shares
Ms. Wurniati Wonowidjojo	34,800,000	shares
Mr. Sumarto Wonowidjojo	44,500,000	shares
Mr. Bintoro Tandjung	2,614,200	shares

7. The composition of the Board of Directors and the Board of Commissioners of the Company on the issuance date of this legal opinion is as follows:

President Director	Mr. Rachman Halim
Vice President Director I	Mr. Susilo Wonowidjojo
Vice President Director II	Mr. Bintoro Tandjung
Vice President Director III	Mr. Mintarya
Director	Mr. Sigid Sumargo Wonowidjojo
Director	Mr. Sumarto Wonowidjojo
Director	Mr. Yudiono Muktiwidjojo
Director	Mr. Sujoso Notokusumo
	Mr. Djajusman Surjowijono
President Commissioner	Mr. Imam Soebagio
Commissioner	Mr. H. Somala Wiria
Commissioner	Mr. Thomas Darmadji Rachmat
Commissioner	Mr. Subagijo
Commissioner	Mrs. Yuni Setiawati Wonowidjojo
Commissioner	Ms. Wurniati Wonowidjojo

8. In order to carry out the corporate activities of undertaking its business, the Company, subject to the matters referred to below, has obtained the necessary licenses from the respective authorities as required by prevailing laws and regulations.

- 8.1. The business permits stipulated in page 3 point II Nos.2 and 3 of this legal opinion, allow the Company to produce 18 billion hand-rolled cigarettes (SKT) and 9.4 billion machine-made cigarettes (SKM) annually.

We are aware that the production of SKM by the Company in recent years, now and in the 5 year projected period exceeds the permit.

- 8.2. In the Company's Board of Directors' opinion this over-production does not have material consequences, for the following reasons:
- 8.2.1. The Company consistently reports its actual production to the Ministry of Industry, the technical department which issued the Permits, on a monthly and six-monthly basis. The Ministry of Industry has not at any time expressed concern about or objection to the over-production of SKM cigarettes.
- 8.2.2 The production capacity as stated in the Permits has been determined by, amongst other things, the requirement in Decree of the Minister of Finance No.541/KMK.05/1983 dated 20 August 1983 that the ratio of SKT to SKM cigarettes produced be 3:2.
- 8.2.3. A cigarette manufacturer is required to report its actual production of SKT and SKM cigarettes periodically to the Directorate General of Customs and Excise as stipulated by Decree of the Minister of Finance No.541/KMK.05/1983 dated 20 August 1983, and the Company has duly satisfied this requirement.
- 8.2.4. Where a cigarette manufacturer needs excise duty receipts (banderol pita cukai rokok), it must complete and submit a CT-3 application form, and must obtain the approval of the Directorate General of Customs and Excise, through the Customs and Excise Inspection Office Type A2 in Kediri.
- 8.2.5. Notwithstanding the requirements stated in the Minister of Finance Decrees as referred to in points 2 and 3 and the excise receipt procedure stated in point 4 above, the Company has never had any difficulty in obtaining these excise duty receipts.

8.2.6. Over-production of SKM cigarettes by cigarette manufacturers has been a common occurrence for many years.

9. The existing assets of the Company, either movable or immovable, comprising land, buildings, machines which constitute appurtenances to such land and buildings, inventoried items, helicopters, and motor vehicles as described in Attachment II and V, based on our examination of the originals and/or copies of evidences of ownership or possession and other documents thereto related, are validly possessed and or owned by the Company. The possession and ownership of such assets have been executed according to prevailing laws and regulations, and parts of the assets which have not been registered on behalf of the Company, are in the process of being registered on behalf of the Company.
10. The Company has obtained Corporate Registration No.13111300014 dated 29 November 1985 issued by the Kediri Trade Regional Office as required by Act No.3 of 1982 on Compulsory Corporate Registration.
11. The signing and implementation of all the agreements, deeds, and letters as required for this issuance of shares are in accordance with provisions of the Company's Articles of Association.
12. The shares grant to the holder whose name is recorded in the share register of the Company, all rights of a shareholder pursuant to the Company's Articles of Association, including rights to receive dividends and to attend and vote at a General Meeting of Shareholders convened by the Company.
13. The Underwriting Agreement dated 14 July 1990 signed by the Company with P.T. (Persero) Danareksa, P.T. Merchant Investment Corporation (Merincorp), P.T. Multinational Finance Corporation (Multicor), P.T. Surya Securities and P.T. Finconesia as Lead Underwriters is valid and legally binding and enforceable according to its own terms and conditions, and its execution is done in good faith as stipulated by Article 1338 of the Indonesian Civil Code.
14. On the basis of written statement of the Kediri District Court No.W10.DKK.di.Um.02.02-633 dated 25 May 1990, the Company, members of the Board of Directors and members of the Board of Commissioners of the Company are not involved in any civil suits or criminal charges at the domicile of the Company.



On the basis of written information from the Company dated 27 June 1990, in the 5 years up to the issuance date of this opinion the company has been involved in the following legal proceedings:

14.1. Case No.9/Pdt/G/1985/PN Tuban at Tuban District Court:

Mrs. Lie Gwan Hie/Lie Ie Kim as Plaintiff

versus

1. Mrs. Rohana as Defendant I;
2. Mr. Susilo Wonowidjoyo/Director of the Company as Defendant II;
3. Representative Office of the Company in Tuban also as Defendant.

Status

The following judgments have been issued in relation to this case:

- a. Judgment of the Tuban District Court No.9/Pdt/G/1985/PN Tbn dated 27 May 1985;
- b. Judgment of the Surabaya High Court No.579/Pdt/1985/PT Sby dated 28 January 1986;
- c. Judgment of the Supreme Court No.2378K/Pdt/1986 dated 31 October 1987.

At final level, the court denied the claims of the Plaintiff in their entirety.

On 29 April 1989 the Plaintiff requested judicial review and at the issuance date of this opinion, the case is still being examined by the Supreme Court of the Republic of Indonesia.

14.2. Case No.143/Pdt/G/1988/PN Jkt Tim at East Jakarta District Court:

Ameni bin Tasa, Djenah binti Tasa, Siti binti Tasa and Tasmah binti Tasa as Plaintiffs

versus

1. the Company as Defendant I;

2. Notary Anthony Djoenardi, S.H. as Defendant II;
3. Mrs. Jujun Muslim Taher as Defendant III.

Status

The judgments issued in relation to this case are as follows:

- a. Judgment of the East Jakarta District Court No.143/Pdt/G/1989/ dated 22 June 1989;
- b. Judgment of the Jakarta High Court No.620/Pdt/ 1989/PT DKI dated 22 December 1989.

The judgment of the Jakarta High Court on 23 June 1990 denying the claims of the Defendant in their entirety has acquired permanent force of law.

14.3. Case No.466/Pdt/G/1989 at the Central Jakarta District Court:

Samadi as Plaintiff

versus

1. the Company as Defendant I;
2. Notary Anthony Djoenardi, S.H. as Defendant II.

Status

This case is in proceedings at the Central Jakarta District Court.

14.4. Case No.122/Pdt/G/1989/PN Jkt Tim at East Jakarta District Court:

Rina Sidabutar as Plaintiff

versus

Jack Marpaung as Defendant I;  
the Company as Defendant II.

Status

This case was decided by the East Jakarta District Court on 25 November 1989 by virtue

of judgment No.122/Pdt/G/1989/PN Jkt Tim, which denies the claims of the Plaintiff in their entirety.

The Plaintiff has issued an appeal and the case is now being examined by the Jakarta High Court.

14.5. Case No.87-0926-C-3 at the Eastern District Court of Missouri, USA:

Maureen Ryan, Thomas Ryan and Theresa Ryan as Plaintiffs

versus

the Company, Lyon Importers Inc., George Pulo & Co. Inc., and Ronan Limited Inc. as Defendants.

Status

On 13 June 1989, the case was dismissed by the Eastern District Court of Missouri.

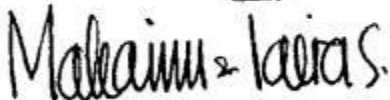
15. To the best of our knowledge at the issuance of this legal opinion, the civil suits as summarized above do not have a materially adverse effect on the standing of the Company.
16. The trademark "Gudang Garam" and other trademarks are registered at the Directorate General of Intellectual Property Rights, Patents, and Trademarks of the Ministry of Justice, as described in Attachment III.
17. The insurance policy on office buildings and equipment, inventoried items, and other equipment including motor vehicles and helicopters, belonging to the Company are valid and binding according to the terms and conditions of the respective insurance agreement, as described in Attachment IV.
18. By virtue of an Employees' Social Insurance Certificate No.Ket/217/ no4/0690 dated 18 June 1990, issued by the Kediri Representative Office of the Employees Social Insurance State Company, the Company is listed as a member of ASTEK (Employees' Social Insurance) with certificate number 78DN0084. On 2 July 1990, the Company paid the Employees' Social Insurance Company fees for the month of July 1990.

19. The relationship between the Company and its employees is contained in the form of a Labor Agreement with the Company Unit of the Indonesian Workers' Union on 24 August 1989.
20. Upon the issuance date of this legal opinion and to the best of our knowledge, on the basis of written information presented by members of the Board of Directors and the Board of Commissioners, none of the members of the Board of Directors and the Board of Commissioners, with the exception of Mr. Susilo Wonowidjojo, are involved in any civil suits and/or criminal charges which could have a materially adverse effect on the standing of the Company.
21. To the best of our knowledge, on the basis of documents relating to citizenship and other identification documents and on the basis of oral information which we have obtained from the relevant parties, the shareholders and members of the Board of Directors and Board of Commissioners are of Indonesian citizenship.

We base our legal opinion specifically on laws and regulations in force in the Republic of Indonesia.

This legal opinion is addressed to you in our capacity as independent legal consultant.

Yours faithfully,



MAKARIM & TAIRA S.

cc: 1. Chairman of the Capital Market Executive  
2. The Board of Directors of P.T. Gudang Garam.

CD1244

## XIV. APPRAISAL REPORT



### P.T. BINTANG DHARMA HURIP APPRAISAL & PROPERTY CONSULTANTS

Phones : 323133 - 321478 - 326781 Fax. ( 021) 321406 Telx. 61352 PAROLA IA.  
Jl. Teluk Betung No. 54 Jakarta 10230,

Branches : Medan • Surabaya • Bandung • Padang • Semarang • Palembang

NO. LAP : 0.0.00-90.90  
NO. PROY. : 0.0.061.90

Jakarta, 11th June 1990

To.

PT. PERUSAHAAN ROKOK TJAP GUDANG GARAM  
Jalan Semampir II No. 1  
Kediri-Jawa Timur

Dear Sirs,

Subject : Evaluation of Property

In Compliance with Your request to evaluate the properties listed below for the purpose of an offering to the public of shares in the company, and as a licensed valuer under license of the Department of Trade no. 0018/Pen/BSP-3/III/89 dated 25th March 1989 and the Department of Finance no. S-532/MK.13/1988 dated 26th July 1988 we have observed and appraised of certain properties of :

PT. PERUSAHAAN ROKOK TJAP GUDANG GARAM

These are located at :

	<u>Location</u>	<u>Kind of property evaluated</u>
I.	Jawa Timur	
I.1.	Unit I (Head Office & Production), Jalan Semampir II/1, Kediri	Land, Building, and Other Land Improvement
I.2.	Unit II (Production & Ware House), Jalan Singosari, Kediri	Land, Building, Other Land Improvement, Machinery and Equipment

<u>Location</u>	<u>Kind of property evaluated</u>
I.3. Unit III (Production, Workshop & Vehicle pool), Jalan Sersan KKO Usman, Kediri	Land, Building, Other Land Improvement, Machinery and Equipment, and vehicle
I.4. Unit IV (Production, Ware House & Housing), Jalan Selowarih, Kediri	Land, Building, Other Land Improvement, Machinery and Equipment
I.5. Unit V (Production, Office, Ware House), Jalan Selowarih, Kediri	Land, Building, Other Land Improvement, Machinery and Equipment
I.6. Unit VI (Production & Ware House & Housing), Jalan Mataram / Tunggul Wulung, Kediri	Land, Building, Other Land Improvement, Machinery and Equipment, and Utility
I.7. Unit VII (Production, Ware House & Housing), Jalan Selowarih, Kediri	Land, Building, and Other Land Improvement
I.8. Unit VIII, (Sport Center, and Vehicle Pool), Jalan Selowarih, Kediri	Land, Building, Other Land Improvement and Vehicle
I.9. Unit IX (Ware House and Housing), Jalan Raya Kediri-Kertosono KM 2,5, Kediri	Land, Building, and Other Land Improvement
I.10. Others Unit, Jalan Singosari and Jalan Selowarih, Kediri	Land and Building
I.11. Tuban and Madiun (4 locations)	Land, Building, Other Land Improvement, and Vehicle
I.12. Bojonegoro and Lamongan (9 locations)	Land, Building, Other Land Improvement, and Vehicle
I.13. Jalan Mayjen Sutoyo, Waru, Sidoardjo	Land, Building, Other Land Improvement, Machinery and Equipment, Utility and Vehicle
I.14. Surabaya, Probolinggo and Pasuruan (5 locations)	Land, Building, Other Land Improvement, and Vehicle

<u>Location</u>	<u>Kind of property evaluated</u>
I.15. Jember and Madura (3 locations)	Land, Building, Other Land Improvement, and Vehicle
I.16. Tretes and Malang	Vehicle
II. Jawa Tengah dan Yogyakarta Ungaran, Tegal, Purwokerto, Temanggung, and Sleman (7 locations)	Land, Building, Other Land Improvement, Machinery and Equipment and Vehicle
III. Jawa Barat Bandung, Cirebon, Subang, Karawang and Serang (6 locations)	Land, Building, Other Land Improvement, and Vehicle
IV. DKI Jakarta Jalan Jend. A. Yani No. 79 & 79 A, Jakarta Pusat	Land, Building, Other Land Improvement, and Vehicle
V. Bandar Lampung Jalan Yos Sudarso	Land, Building, Other Land Improvement, and Vehicle
VI. Pekanbaru, Jambi and Palembang	Vehicle
VII. Sumatera Barat Jalan Ujung Tanah No. 1, Lubuk Begalung, Padang	Land, Building, Other Land Improvement, and Vehicle
VIII. Sumatera Utara Kodya Medan and Kab. Asahan (2 locations)	Land, Building, Other Land Improvement, and Vehicle
IX Daerah Istimewa Aceh Jalan Aceh - Sigli Km. 3,5	Land
X. Bali Denpasar and Singaraja (2 locations)	Land, Building, Other Land Improvement, and Vehicle
XI. Lombok and Dili TIM-TIM	Vehicle
XII. Manado Jalan Raya Tomohon No. 28	Land, Building, Other Land Improvement, and Vehicle

XIII.	Ujung Pandang, Kendari, Palu, Toli-toli Gorontalo and Luwuk	Vehicle
XIV.	Ambon Jalan A.M. Sangaji No. 9-11 and Jalan Wolter Monginsidi	Land, Building, Other Land Improvement, Utility and Vehicle
XV.	Banjarmasin, Balikpapan and Tarakan	Vehicle
XVI.	Pontianak Jalan Pahlawan No. 11-12	Land, Building, and Other Land Improvement

The evaluations are made with the intention to bring forward the Sound Value of land, buildings, other land improvements, machinery and equipments, utilities and vehicles of 31st May 1990.

#### DEFINITION OF SOUND VALUE

Sound value in this report is Fair Market Value of land which is obtained by comparing several transactions for sale and purchase of similar land and we make a conclusion by adjusting data of different value.

In evaluating the properties we assume that the certificate of land is good, marketable and free from liens to be transferred.

Buildings, other land improvements, machinery and equipment, utilities and vehicles, it is the Cost of Reproduction New of the property less depreciation as evidenced by the observed condition include the physical depreciation, functional deterioration and economic deterioration.

#### EVALUATION METHOD

For evaluating the land we have used the market data approach by comparing several sales and purchases of other land which are similar to the land being evaluated. This method involves adjusting the differences between the subject property and those actual sales and listing regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparisons are made on the factors of location, size and shape of the lot and other physical characteristics, type of land title, time element and its zoning.



For the evaluation of the buildings, other land improvement, machinery and equipment, utility and the vehicle we have used cost approach method by considering the following matters :

- The cost of reproduction new in accordance with current market prices for materials, labour, supervision, contractor's overhead and profit fees, architect and engineering fees, including of all relevant charges such as freight, insurance, handling, import duty, value added tax, and installation, but without provision for overtime or bonuses for labour and premiums for materials;
- The accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with new units of like kind.
- Depreciation was considered for physical deterioration, functional obsolescence and economic obsolescence, if any.
- Extent character and utility of the property.

Based on the analysis and investigation and on other factors relevant to the valuation, we calculate the following value :

KIND OF PROPERTY	COST OF REPRODUCTION/ REPLACEMENT NEW (RP. 1000)	SOUND VALUE (RP. 1000)
- LAND	124.910.034,00	124.910.034,00
- BUILDING	299.975.015,00	231.022.190,00
- OTHER LAND IMPROVEMENTS	19.540.076,00	14.372.973,00
- MACHINE AND EQUIPMENT	709.944.380,00	584.035.614,00
- UTILITY	10.203.488,00	8.394.168,00
- VEHICLE	69.294.800,00	44.339.350,00
	1.233.867.793,00	1.007.074.329,00

(ONE TRILLION SEVEN BILLION AND SEVENTY FOUR MILLION THREE HUNDRED AND TWENTY NINE THOUSAND RUPIAH)

This is the Sound Value of the properties as of 31st May 1990 for the continued use as part of a going concern. We have made no investigation of and assume no responsibility for titles to or liabilities against the property appraised, which have been independently carried out by the legal Consultant and Public Accountant of PT. PERUSAHAAN ROKOK TJAP GUDANG GARAM and who have separately presented their reports in the prospectus of the company.

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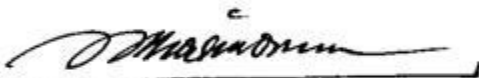
We hereby certify that we have neither present nor prospective interest in the property appraised or on value reported.

The factual data processed, report in detail and documentation are kept in our files for future reference.

These data are available for inspection upon request.

Yours sincerely,

PT. BINTANG DHARMA HURIP  
APPRAISAL AND PROPERTY CONSULTANTS



Ir. Iskandar Muda Siregar  
Technical Director

## XV. FINANCIAL REPORTS AND FINANCIAL STATEMENTS

Kantor Akuntan Darmawan & Co.  
Jalan Raden Saleh 1B/D  
Jakarta 10430, Indonesia  
P.O. Box 2218 JKT  
Jakarta 10001, Indonesia  
Tel : 320952, 323756, 323787  
323769, 325191, 334639  
Telex : 46642 DTR IA  
Cable : TOUCHEROSS  
Telecopier : 324532

 Darmawan & Co.


C/442/'89-'88  
8559a/HH.

Board of Commissioners and Directors  
PT PERUSAHAAN ROKOK TJAP "GUDANG GARAM"  
Kediri, Indonesia

We have examined the balance sheets of PT PERUSAHAAN ROKOK TJAP "GUDANG GARAM" as of March 31, 1990, December 31, 1989 and 1988 and the related statements of income and retained earnings and changes in financial position for the three months ended March 31, 1990 and for the years ended December 31, 1989 and 1988. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of PT PERUSAHAAN ROKOK TJAP "GUDANG GARAM" as of March 31, 1990, December 31, 1989 and 1988 and the results of its operations and the changes in its financial position for the three months ended March 31, 1990 and for the years ended December 31, 1989 and 1988, in conformity with Indonesian Generally Accepted Accounting Principles, applied on a consistent basis.

Our examination was made for expressing an opinion on the Company's basic financial statements as noted in the prior paragraph. The accompanying supplementary information in schedules 1 up to 6 is presented for additional analysis and, though they were unnecessary for the fairness of the financial position, the results of its operations and the changes in financial position, has been subjected to the tests and other auditing procedures applied in the examination of the basic financial statements. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

Drs. H. Darmawan  
Registered public accountant No. A-11

June , 1990.

Bandung : Jalan Jawa 28 - Tel. : 431858  
Medan : Jalan Palang Merah 40 - Tel. : 327925, 517466 - Cable : TOUCHEROSS  
Surabaya : Jalan Tegalsari 2E - Tel. : 472262, 513825, 516487 - Cable : TOUCHEROSS

Touche Ross International

PT PERUSAHAAN ROKOK TJAP "GUDANG GARAM" KEDIRI  
BALANCE SHEETS  
AS OF MARCH 31, 1990, DECEMBER 31, 1989 AND 1988

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash on hand and in banks	15,926,352,743	10,269,039,299	8,171,051,429
Accounts receivable (B.2, C.2)	149,801,668,046	129,836,883,842	105,369,491,886
Other receivables (C.3)	10,022,516,989	6,627,488,525	3,742,881,647
Inventories (B.5, 11, C.4)	852,393,670,327	851,452,340,871	723,974,229,592
Taxes receivable (C.5)	12,278,722,638	12,328,721,229	13,427,401,205
Prepaid expenses (C.6)	20,377,500	25,920,000	23,933,250
Advance payments on purchases (C.7)	22,199,377,882	15,820,160,049	29,639,968,387
Accrued income (C.8)	14,211,506	46,913,570	67,275,812
	<u>1,062,656,897,631</u>	<u>1,026,407,467,385</u>	<u>884,416,233,208</u>
<b>INVESTMENTS (B.4, C.9)</b>	-	-	28,065,725,500
<b>FIXED ASSETS (B.3, C.10)</b>			
Land	12,159,446,005	12,084,489,985	9,753,592,834
Buildings, roads and bridges	100,524,569,266	100,524,569,266	95,131,277,056
Machinery	287,192,833,320	288,491,758,788	259,146,146,083
Furniture and fixtures	41,278,440,713	40,524,652,055	37,310,412,355
Motor vehicles	27,085,127,373	25,641,735,819	23,841,759,327
Helicopters and equipment	4,632,737,500	4,632,737,500	4,632,737,500
	472,873,154,177	471,899,943,413	429,815,925,155
Accumulated depreciation	<u>(300,318,919,121)</u>	<u>(292,464,661,441)</u>	<u>(250,068,134,516)</u>
Bookvalue	<u>172,554,235,056</u>	<u>179,435,281,972</u>	<u>179,747,790,639</u>
<b>OTHER ASSETS</b>			
Long term receivables (B.7, C.11)	60,942,568,743	58,739,825,295	55,635,779,799
Construction in progress (C.12)	63,240,706,158	62,869,177,149	84,393,112,124
Guarantee deposits (C.13)	248,102,098	248,102,098	236,295,498
Deferred charges (B.6, C.14)	20,273,645,683	18,462,216,962	-
	<u>144,705,022,682</u>	<u>140,319,321,504</u>	<u>140,265,187,421</u>
<b>TOTAL ASSETS</b>	<u>1,379,916,155,369</u> =====	<u>1,346,162,070,861</u> =====	<u>1,232,494,936,768</u> =====

See notes to financial statements

PT PERUSAHAAN ROKOK TJAP "GUDANG GARAM" KEDIRI  
BALANCE SHEETS  
AS OF MARCH 31, 1990, DECEMBER 31, 1989 AND 1988

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable (C.15)	20,083,817,140	17,594,906,238	13,541,285,785
Accrued expenses (C.16)	9,033,197,929	13,565,075,700	14,031,746,254
Taxes payable (C.17)	31,921,411,775	18,201,498,367	11,428,923,683
Excise duties and VAT on cigarettes payable (C.18)	161,137,324,320	106,563,941,291	88,292,486,568
Short term borrowings (B.9, 10, C.1, 19)	529,501,582,836	585,044,744,553	570,074,312,363
Current portion of long term loans (B.9, 10, C.1, 20)	<u>8,340,225,000</u>	<u>8,235,000,000</u>	<u>7,910,175,000</u>
	<u>760,017,559,000</u>	<u>749,205,166,149</u>	<u>705,278,929,653</u>
<b>LONG TERM LIABILITIES</b>			
Long term loans (B.9, 10, C.1, 20)	41,940,393,750	43,470,000,000	127,470,525,000
Payable to shareholders (C.21 D.3)	<u>123,684,523,244</u>	<u>123,684,523,244</u>	<u>-</u>
	<u>165,624,916,994</u>	<u>167,154,523,244</u>	<u>127,470,525,000</u>
<b>STOCKHOLDERS' EQUITY</b>			
Authorized Capital 1,751 shares with a nominal value of Rp 50,000,000 each, issued and fully paid-in (C.22, D.3)	87,550,000,000	87,550,000,000	87,550,000,000
Difference on revaluation of fixed assets (D.3)	14,395,229	14,395,229	14,395,229
Retained earnings (D.3)	<u>366,709,284,146</u>	<u>342,237,986,239</u>	<u>312,181,086,886</u>
	<u>454,273,679,375</u>	<u>429,802,381,468</u>	<u>399,745,482,115</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>1,379,916,155,369</u> =====	<u>1,346,162,070,861</u> =====	<u>1,232,494,936,768</u> =====

See notes to financial statements

PT PERUSAHAAN ROKOK TJAP "GUDANG GARAM" KEDIRI  
 STATEMENTS OF INCOME  
 FOR THE THREE MONTHS ENDED MARCH 31, 1990  
AND THE YEARS ENDED DECEMBER 31, 1989 AND 1988

	1990 <u>(3 MONTHS)</u> Rp	1989 <u>(12 MONTHS)</u> Rp	1988 <u>(12 MONTHS)</u> Rp
SALES REVENUE (C.23, D.1, 2)	426,893,213,818	1,363,848,503,255	1,287,309,420,374
COST OF GOODS SOLD (C.24)	<u>(329,372,941,917)</u>	<u>(1,048,301,782,147)</u>	<u>(979,836,838,484)</u>
GROSS PROFIT ON SALES	<u>97,520,271,901</u>	<u>315,546,721,108</u>	<u>307,472,581,890</u>
OPERATING EXPENSES			
Marketing/selling expenses	(18,005,612,819)	(55,807,287,466)	(58,787,335,724)
General and administrative expenses	<u>(22,641,188,106)</u>	<u>(104,786,399,699)</u>	<u>(115,155,172,766)</u>
Total operating expenses	<u>(40,646,800,925)</u>	<u>(160,593,687,165)</u>	<u>(173,942,508,490)</u>
OPERATING PROFIT	<u>56,873,470,976</u>	<u>154,953,033,943</u>	<u>133,530,073,400</u>
OTHER INCOME AND EXPENSES			
Interest income (C.11)	2,265,365,732	8,727,271,422	75,435,459
Dividend (C.9)	-	285,085,714	261,465,241
Gain on sales of fixed assets (C.10)	695,058,643	804,661,301	784,533,446
Interest expense (C.19, 20)	(21,179,088,565)	(116,787,840,020)	(112,239,712,304)
Gain (loss) on exchange (C.1, 19, 20)	(628,826,255)	(3,664,215,407)	(3,928,737,160)
Other income (expenses), net	<u>409,088,576</u>	<u>3,567,526,900</u>	<u>3,310,960,528</u>
Total other income (expenses)	<u>(18,438,401,869)</u>	<u>(107,067,510,090)</u>	<u>(111,736,054,790)</u>
EARNINGS BEFORE TAX	38,435,069,107	47,885,523,853	21,794,018,610
CORPORATE INCOME TAX (B.8, C.25)	<u>(13,963,771,200)</u>	<u>(17,828,624,500)</u>	<u>(10,876,045,650)</u>
EARNINGS AFTER TAX	<u>24,471,297,907</u>	<u>30,056,899,353</u>	<u>10,917,972,960</u>
OPERATING PROFIT PER SHARE (B.12, C.22)	<u>32,480,565</u>	<u>88,494,022</u>	<u>76,259,322</u>
EARNINGS BEFORE TAX PER SHARE (B.12, C.22)	<u>21,950,353</u>	<u>27,330,396</u>	<u>12,446,612</u>
EARNINGS AFTER TAX PER SHARE (B.12, C.22)	13,975,612	17,165,562	6,235,278
	=====	=====	=====

See notes to financial statements

PT PERUSAHAAN ROKOK TJAP "GUDANG GARAM" KEDIRI  
 RETAINED EARNINGS  
 FOR THE THREE MONTHS ENDED MARCH 31, 1990  
 AND THE YEARS ENDED DECEMBER 31, 1989 AND 1988

	1990 <u>(3 MONTHS)</u> Rp	1989 <u>(12 MONTHS)</u> Rp	1988 <u>(12 MONTHS)</u> Rp
<b>NOT YET APPROPRIATED</b>			
Balance, beginning of year	262,237,986,239	232,181,086,886	221,263,113,926
Net profit current year (B.8, C.25)	<u>24,471,297,907</u>	<u>30,056,899,353</u>	<u>10,917,972,960</u>
Balance, end of year (D.3)	<u>286,709,284,146</u>	<u>262,237,986,239</u>	<u>232,181,086,886</u>
<b>ALREADY APPROPRIATED</b>			
General reserve			
Balance, beginning of year	80,000,000,000	80,000,000,000	80,000,000,000
Additions/deductions	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year (D.3)	<u>80,000,000,000</u>	<u>80,000,000,000</u>	<u>80,000,000,000</u>
<b>BALANCE, END OF YEAR</b>	<u>366,709,284,146</u> =====	<u>342,237,986,239</u> =====	<u>312,181,086,886</u> =====

See notes to financial statements

PT PERUSAHAAN ROKOK TJAP "GUDANG GARAM" KEDIRI  
STATEMENTS OF CHANGES IN FINANCIAL POSITION  
FOR THE THREE MONTHS ENDED MARCH 31, 1990  
AND THE YEARS ENDED DECEMBER 31, 1989 AND 1988

	1990 (3 MONTHS) Rp	1989 (12 MONTHS) Rp	1988 (12 MONTHS) Rp
<b>SOURCE OF FUNDS</b>			
Provided by operations			
Net earnings (C.25)	24,471,297,907	30,056,899,353	10,917,972,960
Add (deduct) items not affecting working capital :			
Depreciation (C.10)	8,617,957,212	44,034,438,114	46,035,707,765
Gain on sale of fixed assets	<u>(694,975,272)</u>	<u>(804,661,301)</u>	<u>(781,802,775)</u>
	<u>32,394,279,847</u>	<u>73,286,676,166</u>	<u>56,171,877,950</u>
<b>OTHER SOURCES</b>			
Investments sold	-	28,065,725,500	-
Sale of fixed assets (B.11)	1,244,340,242	3,873,413,780	1,083,781,575
Increase in long term loans	-	<u>123,684,523,244</u>	<u>102,720,525,000</u>
	<u>1,244,340,242</u>	<u>155,623,662,524</u>	<u>103,804,306,575</u>
<b>Total funds provided</b>	<u>33,638,620,089</u>	<u>228,910,338,690</u>	<u>159,976,184,525</u>
<b>APPLICATION OF FUNDS</b>			
Additions to fixed assets (C.10)	1,943,084,980	17,647,565,679	10,814,521,026
Additions of construction in progress	714,719,295	7,619,181,272	73,755,336,343
Long term receivables	2,202,743,448	3,104,045,496	9,824,549,226
Guarantee deposits	-	11,806,600	28,750,000
Deferred charges	1,811,428,721	18,462,216,962	(45,000,000)
Long term loans	<u>1,529,606,250</u>	<u>84,000,525,000</u>	<u>-</u>
<b>Total funds used</b>	<u>8,201,582,694</u>	<u>130,845,341,009</u>	<u>94,378,156,595</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>			
<b>WORKING CAPITAL, BEGINNING OF YEAR</b>	25,437,037,395	98,064,997,681	65,598,027,930
	<u>277,202,301,236</u>	<u>179,137,303,555</u>	<u>113,539,275,625</u>
<b>WORKING CAPITAL, END OF YEAR</b>	302,639,338,631	277,202,301,236	179,137,303,555
	=====	=====	=====

See notes to financial statements



PT PERUSAHAAN ROKOK TJAP "GUDANG GARAM" KEDIRI  
 STATEMENTS OF CHANGES IN FINANCIAL POSITION  
 FOR THE THREE MONTHS ENDED MARCH 31, 1990  
 AND THE YEARS ENDED DECEMBER 31, 1989 AND 1988

	1990 (3 MONTHS) Rp	1989 (12 MONTHS) Rp	1988 (12 MONTHS) Rp
<b>CHANGES IN COMPONENTS OF WORKING CAPITAL</b>			
<b>CURRENT ASSETS</b>			
Cash on hand and in banks	5,657,313,444	2,097,987,870	(412,248,049)
Accounts receivable	19,964,784,204	24,467,391,956	10,755,397,698
Other receivables	3,395,028,464	2,884,606,878	(5,911,195,948)
Inventories	941,329,456	127,478,111,279	53,297,199,430
Taxes receivable	(49,998,591)	(1,098,679,976)	1,099,346,994
Prepaid expenses	(5,542,500)	1,986,750	(6,304,625)
Advance payments on purchases	6,379,217,833	(13,819,808,338)	(5,367,939,117)
Accrued income	(32,702,064)	(20,362,242)	66,700,202
	<u>36,249,430,246</u>	<u>141,991,234,177</u>	<u>53,520,956,585</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	2,488,910,902	4,053,620,453	7,216,704,851
Accrued expenses	(4,531,877,771)	(466,670,554)	(3,088,062,950)
Taxes payable	13,719,913,408	6,772,574,684	(434,548,090)
Excise duty and VAT on cigarettes payable	54,573,383,029	18,271,454,723	1,724,923,960
Short term loans	(55,543,161,717)	14,970,432,190	(16,017,764,116)
Current portion of long term loans	105,225,000	324,825,000	(1,478,325,000)
	<u>10,812,392,851</u>	<u>43,926,236,496</u>	<u>(12,077,071,345)</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	25,437,037,395 =====	98,064,997,681 =====	65,598,027,930 =====

See notes to financial statements

PT PERUSAHAAN ROKOK TJAP "GUDANG GARAM" KEDIRI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 1990  
AND THE YEARS ENDED DECEMBER 31, 1989 AND 1988

A. GENERAL

PT Perusahaan Rokok Tjap "Gudang Garam" Kediri was established by virtue of deed of acting Notary public Mr. Suroso S.H. in Kediri No. 10 dated June 30, 1971. The Articles of Association of the Company were approved by the Minister of Justice by decision letter No. Y.A. 5/197/7 dated November 17, 1971. The Articles of Association were subsequently amended by deed of acting Notary public Mr. Suroso S.H. No. 3 dated March 6, 1973; this amendment was approved by the Minister of Justice by decision letter No. Y.A. 5/275/1 dated July 25, 1973. Then other changes were made based on notarial deeds of Mr. Suroso S.H., Kediri No. 29 dated January 17, 1980, No. 12 dated October 7, 1980, No. 58 dated December 31, 1983, No. 30 dated October 19, 1985, No. 52 dated November 29, 1986, and No. 47 dated November 30, 1987.

The purpose of this Company is to manage and continue the cigarette and straw clove cigarette factory "Gudang Garam" brand.

The management of the company is as follows :

Board of Commissioners

President Commissioner : Mrs. Tan Siok Tjien  
Commissioners : Mrs. Juni Setiawati Wonowidjojo  
Mrs. Wurniati Wonowidjojo  
Mr. Sumarto Wonowidjojo

Board of Directors

President Director : Mr. Rachman Halim  
Directors : Mr. Susilo Wonowidjojo  
Mr. Sigid Sumargo Wonowidjojo  
Mr. Bintoro Tandjung  
Mr. Yudiono Muktiwidjojo  
Mr. Sujoso Notokusumo  
Mr. Thomas Darmadji Rachmad  
Mr. Imam Subagio

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of accounting

The financial statements are prepared on the historical cost basis, except for revalued fixed assets as disclosed below. The statement of changes in financial position is prepared based on the concept of funds as working capital.

2. Provision for doubtful accounts

The Company does not make a provision for doubtful accounts. Uncollectible receivables are written-off and expensed as incurred.

See also note C.2.

3. Fixed assets

Fixed assets are recorded at cost, except for those acquired until September 12, 1986 which were revalued in line with Government regulation No. 45/1986 dated October 2, 1986 relating to the revaluation.

Depreciations on buildings, roads and bridges were computed on the straight-line method at a rate of 5% per annum of the acquisition cost. The depreciations on other fixed assets (except for land) were computed according to the double declining balance method at the following rates :

	<u>% per annum</u>
Machinery	50% and 25% of the bookvalue
Furniture & fixtures	50% and 25% of the bookvalue
Motor vehicles	50% and 25% of the bookvalue
Helicopters and equipment	25% of the bookvalue

Expenditures for major replacements and improvements, resulting in an increased value or extension of the useful life, are capitalized. Maintenance, repairs and minor replacements and improvements are expensed as incurred.

Cost and the related accumulated depreciation of items sold or otherwise retired, are eliminated from the asset and depreciation accounts. Gains and losses resulting from the disposals of assets are entered into other income or other expenses account.

4. Equity participation in other companies

Equity participation in other companies are recorded at cost for participation of less than 20% and at equity method for participation of 20% or more.

5. Inventories

Clove cigarettes, filter clove cigarettes as well as straw cigarettes which were packed and provided with excise duty ribbons, were valued at average manufacturing cost.

Unpacked cigarettes and straw cigarettes were valued at average manufacturing cost less the value of the excise duty ribbons, Value Added Tax and packing. The price deduction for packing is 10% of the nominal value of the excise duty ribbons, after having been deducted by the excise duty ribbons and the Value Added Tax concerned.

Damaged cigarettes and damaged straw cigarettes were valued at 25% of the value of raw materials plus the value of excise duty ribbons and Value Added Tax concerned.

Raw materials and supplies (except for printing and corrugating materials) were valued at the moving average cost system, while printing and corrugating materials were valued at its acquisition cost.

Goods in process were valued at an estimated value of the raw materials and main supplies, present in the factory at the end of the year (period).

Excise duty ribbons were valued at purchase price, while the Value Added Tax, included in the excise duty ribbons, was fixed at 7.7% of the nominal value of the excise duty ribbons.

Building materials and spare parts were valued at acquisition cost.

Certain charges regarding to purchases of raw materials and supplies, such as clove rehabilitation donation, auction cost, etc. were recorded as an additional cost of the raw materials and supplies concerned, and are being expensed when the related materials are consumed.

#### 6. Deferred charges

Deferred charges represent prepaid expenses to be amortized over a period longer than one year.

See also note C.14.

#### 7. Special relation

In its operations, the company is dealing with a few enterprises which according to Bapepam's circular letter No. SE-24/PM/1987 dated December 24, 1987 have to be classified as a "special relation".

"Special relation" is in this case to be defined as follows : it is a relation with another enterprise whereby the Company directly or indirectly can influence the leadership or management of the enterprise (outside the relation with affiliated companies), such as family relation, etc.

See also notes C.2, 3, 7, 11 and 15.

8. Company income tax

The company computes its income tax based on the taxable profit of the related year. It does not adopt the system of deferred taxes.

9. Foreign currency transactions

Transactions in foreign currencies were translated into Rupiahs at rates on date of the transactions. Balances of receivables and payables in foreign currencies were converted at rates on balance sheet date. Profits and losses on exchange were credited or charged to income of the related year.

See also notes C.19 and C.20.

10. Swap contracts

Swap contracts are made on loans in foreign currencies to hedge the fluctuations of foreign exchange rates. The resulting gains or losses from these transactions are charged to income of the current year.

See also notes C.19 and C.20.

11. Income recognition

Income on sales of finished products is recognized at the time of delivery of the products.

Rental income of company's assets and other is recognized in the rental period concerned.

12. Earnings per share

Operating profit per share, earnings before tax per share and earnings after tax per share are determined by dividing the operating profit, the earnings before tax and the earnings after tax by the number of shares issued in the related period.

13. Adjustments

In 1990, the Company made the following adjustments :

- Rate differences on long term loans in foreign currencies which had been deferred, were adjusted and charged to income of the related period.
- Ending inventories of finished products which had been valued at sales price, were adjusted and recorded based on average manufacturing cost.

For registration proposes, the cumulative effect of the changes had been adjusted to the beginning balance of retained earnings 1990. And for comparative purposes, the adjustments were recorded into the beginning balance of retained earnings 1988, and the Company has re-stated its financial statements for the years ended December 31, 1989 and 1988.

As the result of the adjustments, earnings before corporate income tax increased (decreased) by Rp 1,871,558,925 and (Rp 4,676,559,032) for 1989 and 1988 respectively.

The balance sheet accounts for the years ended 1989 and 1988 which had been affected by the changes are the following :

	1989		1988	
	Before re-statement	After re-statement	Before re-statement	After re-statement
	Rp	Rp	Rp	Rp
Inventories	854,666,601,565	851,452,340,871	726,933,044,211	723,974,229,592
Deferred charges	19,692,436,962	18,462,216,962	3,357,225,000	-
Retained earnings	346,682,466,933	342,237,986,239	318,497,126,505	312,181,086,866

C. COMMENTS ON ACCOUNTS IN FINANCIAL STATEMENTS

1. Foreign currency transactions

During the period January up to March 1990, the exchange rate of 1 US dollar was between Rp 1,805 and 1,820, whereas during 1989 the exchange rate was between Rp 1,731 and Rp 1,798, and during 1988 between Rp 1,643 and Rp 1,723. The exchange rates of 1 US dollar as at March 31, 1990, December 31, 1989 and 1988 were Rp 1,823, Rp 1,800 and Rp 1,729 respectively.

2. Accounts receivable

The bigger part of accounts receivable represent receivables from distributors : PT Surya Bhakti Utama, Surabaya, PT Surya Jaya Bhakti, Jakarta and PT Surya Kerta Bhakti, Surakarta.

The receivables from distributors as at March 31, 1990, December 31, 1989 and 1988 amounted to Rp 147,283,871,499, Rp 127,104,705,017 and Rp 103,174,450,615 respectively, or 98.3%, 97.8% and 97.9% of the total accounts receivable.

	03-31-1990	12-31-1989	12-31-1988
	Rp	Rp	Rp
PT Surya Bhakti Utama, Surabaya	71,152,986,385	63,990,582,521	52,966,621,520
PT Surya Jaya Bhakti, Jakarta	70,507,681,891	58,398,371,522	46,723,988,661
PT Surya Kerta Bhakti, Surakarta	5,623,203,223	4,715,750,974	3,483,840,434
Others	2,517,796,547	2,732,178,825	2,195,041,271
Total	149,801,668,046	129,836,883,842	105,369,491,886
	=====	=====	=====

All transactions with the above enterprises having a special relation with PT Gudang Garam are made in the framework of normal business dealings.

No provision for doubtful accounts was made in the period under review. Part of the above receivables is used as collaterals on loans. See also notes B.2, 7 and C.19.

### 3. Other receivables

Other receivables represent amounts which cannot be classified under receivables described above. The balances consist of :

	<u>03-31-1990</u>	<u>12-31-1989</u>	<u>12-31-1988</u>
	Rp	Rp	Rp
Other receivables from companies having a special relation with PT Gudang Garam			
PT Lidjen, Surabaya	248,750,000	248,750,000	248,400,000
PT Surya Jaya Bhakti, Jakarta	(44,600,000)	243,400,000	228,000,000
PT Surya Bhakti Utama, Surabaya	209,000	144,000,000	209,500,000
PT Surya Kerta Bhakti, Surakarta	(32,415,335)	-	-
PT Surya Kerta Bhakti, Yogyakarta	(24,232,600)	-	-
PT Surya Kerta Bhakti, Semarang	(13.018.485)	-	-
PT Surya Raya Indah, Surabaya	<u>1,622,673,796</u>	<u>1,404,279,525</u>	<u>1,330,000</u>
Total	<u>1,757,366,376</u>	<u>2,040,429,525</u>	<u>687,230,000</u>
Other receivables from third parties			
Image, Jakarta	300,429,621	463,361,500	-
Ramayana Media, Jakarta	441,378,556	273,817,400	-
PT Lumbang Kencana Sakti, Jakarta	574,128,000	229,651,200	-
Anthony Walker, Jakarta	150,000,000	-	149,996,880
Warehouses	2,644,895,189	-	1,472,163,855
S. Mupangati, Surabaya	900,000,000	-	-
Semarang Representative Office	256,459,417	-	-
Others	<u>2,997,859,830</u>	<u>3,620,229,350</u>	<u>1,433,490,912</u>
Total	<u>8,265,150,613</u>	<u>4,587,059,000</u>	<u>3,055,651,647</u>
Total other receivables	10,022,516,989 =====	6,627,488,525 =====	3,742,886,647 =====

All transactions with enterprises having a special relation with PT Gudang Garam are made in the framework of normal business dealings. See also note B.7.

4. Inventories

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
<u>Finished products</u>			
Straw cigarettes and clove cigarettes	<u>16,844,167,230</u>	<u>10,796,425,675</u>	<u>8,635,662,968</u>
<u>Raw materials</u>			
Tobacco	389,364,084,028	425,778,820,564	407,837,275,001
Clove	267,313,247,539	268,727,815,589	179,236,699,925
Tobacco flavour	28,967,163,781	33,321,875,510	28,190,498,815
Cigarette paper	8,099,626,035	7,020,824,862	9,966,071,840
Other	<u>68,547,197</u>	<u>74,802,854</u>	<u>104,752,568</u>
	<u>693,812,668,580</u>	<u>734,924,139,379</u>	<u>625,335,298,149</u>
<u>Sub-materials</u>			
Paper	36,462,411,382	35,810,616,278	36,088,765,105
Glue	1,244,586,291	1,279,608,394	1,256,248,527
Labels	7,866,063,972	7,740,840,856	6,938,282,391
Acetate tow	7,860,680,820	9,913,316,450	7,542,737,905
Other	<u>5,892,827,462</u>	<u>5,875,511,552</u>	<u>5,647,199,402</u>
	<u>59,326,569,927</u>	<u>60,619,893,530</u>	<u>57,473,233,330</u>
Goods in process	<u>10,128,784,600</u>	<u>10,690,768,950</u>	<u>2,172,596,894</u>
Excise duty ribbons and Value Added Tax	<u>61,043,418,561</u>	<u>23,655,243,128</u>	<u>25,735,754,087</u>
Other	<u>11,238,061,429</u>	<u>10,765,870,209</u>	<u>4,621,684,164</u>
Total	<u>852,393,670,327</u> =====	<u>851,452,340,871</u> =====	<u>723,974,229,592</u> =====

Part of the inventories is used for collaterals on loans.  
See also notes B.5, 11 and C.19.

5. Taxes receivable

Taxes receivable and taxes which can be compensated with the current period's income tax payable consist of :

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
Value Added Tax	3,822,267,216	4,788,571,391	3,205,894,413
Income tax articles 25, 23 and 22 last year	7,540,149,838	-	-
Income tax articles 25, 23 and 22 current year	<u>916,305,584</u>	<u>7,540,149,838</u>	<u>10,221,506,792</u>
Total	<u>12,278,722,638</u> =====	<u>12,328,721,229</u> =====	<u>13,427,401,205</u> =====

See also notes B.8 and C.17, 25.



6. Prepaid expenses

Prepaid expenses represent prepaid rent of space and location for advertisement and promotion facilities in several cities which will be expensed in the coming years, consisting of :

<u>Expensed in year</u>	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
1989	-	-	15,373,250
1990	16,627,500	22,170,000	4,810,000
1991	2,500,000	2,500,000	2,500,000
1992	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,250,000</u>
Total	20,377,500 =====	25,920,000 =====	23,933,250 =====

7. Advance payments on purchases

Advance payments on purchases represent advance payments on local purchases and imports of materials and goods as well.

The breakdown is as follows :

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
Companies with a special relation			
PT Surya Zig Zag, Kediri	-	<u>1,030,272,123</u>	-
Other companies			
Jamesia Ltd., England	24,055,967	1,163,439,474	-
Heru Susilo, Surabaya	2,775,043,541	2,415,158,448	2,936,712,913
Liem Nay Hian, Surabaya	-	850,000,000	2,225,000,000
PT Ogasaka, Surabaya	-	-	8,500,000,000
CV Bumi Ayu, Blitar	-	-	400,000,000
Prepayments on L/C	19,117,556,263	10,155,296,607	14,144,516,007
GD Societa Per Azioni			
Bologna, Italia	94,022,947	-	774,448,162
Focke & Co., West Germany	-	-	238,019,467
PT Zeta Aneka Kimia, Jakarta	-	-	124,800,000
Others	<u>188,699,164</u>	<u>205,993,397</u>	<u>296,471,838</u>
	<u>22,199,377,882</u>	<u>14,789,887,926</u>	<u>29,639,968,387</u>
Total	22,199,377,882 =====	15,820,160,049 =====	29,639,968,387 =====

All transactions are made in the framework of normal business dealings.

8. Accrued income

	<u>03-31-1990</u>	<u>12-31-1989</u>	<u>12-31-1988</u>
	Rp	Rp	Rp
Interest on credit bank balances	-	2,046,220	6,373,914
Insurance commission	-	44,867,350	59,740,085
Discount on freight charges	-	-	1,161,813
Electricity	<u>14,211,506</u>	-	-
Total	<u>14,211,506</u>	<u>46,913,570</u>	<u>67,275,812</u>
	=====	=====	=====

9. Investments

This account refers to equity participation in the following companies :

<u>Name</u>	<u>Participation</u>	<u>%</u>
	Rp	
PT Surya Zig Zag, Kediri	14,313,205,500	70
PT Halim Wonowidjojo, Kediri	13,136,000,000	97
PT Surya Jaya Bhakti, Jakarta	225,000,000	24
PT Surya Bhakti Utama, Surabaya	93,000,000	22
PT Surya Kerta Bhakti, Solo	7,000,000	5
PT Perkebunan Lidjen, Malang	248,400,000	58
PT Selowarih, Kediri	25,000,000	28
PT Perkebunan Cengkeh Zanzibar, Jakarta	16,000,000	5
PT Inti Kretek, Semarang	<u>2,120,000</u>	2
Total	<u>28,065,725,500</u>	
	=====	

The equity method is applied to equity participation of 20% or more, except for PT Halim Wonowidjojo, PT Perkebunan Lidjen, PT Selowarih, PT Surya Bhakti Utama and PT Surya Jaya Bhakti, because the shares had been sold to third parties.

In 1989, the Company sold all its shares of other companies to its shareholders at nominal value, while all disbursements made by the Company in favour of PT Surya Zig Zag, Kediri which originally had been treated as prepayments on investments, were transferred to long-term receivable account in the name of PT Surya Zig Zag.

The nominal value of the sold shares was Rp 26,429,684,500, while the prepayments on investments which were transferred to long-term receivable account amounted to Rp 1,363,041,000.

See also note B.4.

10. Fixed assets

In line with decree of the Minister of Finance No. 109/KMK.04 /1979 dated March 27, 1979, the Company had revalued its fixed assets as of January 1, 1979. Then, in line with Government Regulation No. 45/1986 dated October 2, 1986, the Company had also revalued as of January 1, 1987 its fixed assets, acquired until September 12, 1986.

The revaluation resulted in a revaluation difference of Rp 7,270,386,505 (vide the letter of the Head of the Tax Inspection office in Kediri No. KEP 1-1/WPJ.06/KI-1004/1980 dated June 3, 1980) and of Rp 46,664,395,229 (vide letter of the Head of the Tax Inspection office in Kediri No. KEP-01/ WPJ.06/KI.1511/1988 dated January 5, 1988). The revaluation differences had been converted into capital stock of Rp 7,270,000,000 and Rp 46,650,000,000 respectively.

See also note 22.

The above-mentioned revaluation differences can be summarized as follows:

	<u>1-1-1979</u> Rp	<u>1-1-1986</u> Rp	<u>TOTAL</u> Rp
Land	-	-	-
Buildings, roads, and bridges	5,054,252,952	19,061,117,335	34,115,370,287
Machinery	866,649,707	20,760,955,250	21,627,604,957
Furniture and fixtures	523,864,948	3,837,233,190	4,361,098,138
Motor vehicles	825,618,898	2,391,894,708	3,217,513,606
Helicopters and equipment	-	613,194,746	613,194,746
Total	<u>7,270,386,505</u>	<u>46,664,395,229</u>	<u>53,934,781,734</u>

The bookvalue of fixed assets can be summarized as follows :

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
<u>Acquisition cost</u>			
Land	12,159,446,005	12,084,489,985	9,753,592,834
Buildings, roads, and bridges	100,524,569,266	100,524,569,266	95,131,277,056
Machinery	287,192,833,320	288,491,758,788	259,146,146,083
Furniture and fixtures	41,278,440,713	40,524,652,055	37,310,412,355
Motor vehicles	27,085,127,373	25,641,735,819	23,841,759,327
Helicopters and equipment	4,632,737,500	4,632,737,500	4,632,737,500
	<u>472,873,154,177</u>	<u>471,899,943,413</u>	<u>429,815,925,155</u>

Accumulated depreciation

Land	-	-	-
Buildings, roads, and bridges	47,693,049,407	46,436,492,292	42,538,678,072
Machinery	199,010,690,850	193,879,385,529	162,656,242,781
Furniture and fixtures	30,326,893,478	29,519,469,104	25,149,070,775
Motor vehicles	19,295,873,095	18,679,590,573	16,002,090,130
Helicopters and equipment	<u>3,992,412,291</u>	<u>3,949,723,943</u>	<u>3,722,052,758</u>
	<u>300,318,919,121</u>	<u>292,464,661,441</u>	<u>250,068,134,516</u>

Bookvalue

Land	12,159,446,005	12,084,489,985	9,753,592,834
Buildings, roads, and bridges	52,831,519,859	54,088,076,974	52,592,598,984
Machinery	88,182,142,470	94,612,373,259	96,489,903,302
Furniture and fixtures	10,951,547,235	11,005,182,951	12,161,341,580
Motor vehicles	7,789,254,278	6,962,145,246	7,839,669,197
Helicopters and equipment	<u>640,325,209</u>	<u>683,013,557</u>	<u>910,684,742</u>
	<u>172,554,235,056</u>	<u>179,435,281,972</u>	<u>179,747,790,639</u>
	=====	=====	=====

Part of the fixed assets is used as collaterals on loans.  
See also notes B.3 and C.19, 20.

11. Long term receivables

These receivables relate to loans given to PT Surya Zig Zag, Kediri. The outstanding balance as at March 31, 1990 was Rp 60,942,568,743. In the amount was included interest receivable of Rp 2,202,743,448 for 3 months at 15% per annum, it was calculated based on end of March 1990 balance of Rp 58,739,825,295. No collaterals were given by PT Surya Zig Zag on the borrowing. The due date is June 30, 1991.

See also note B.7.

12. Construction in progress

Construction in progress represents buildings under construction or installation of machinery in process at balance sheet date.

Construction in progress as at March 31, 1990 consists of :

	Rp
Tobacco processing machines	8,446,007,175
Clove processing machines	5,878,841,183
Filter machines	49,831,250
Cigarette machines	27,991,953,343
Cigarette peel machines	388,825,756
Workshop machines	263,594,817
Printing machines	281,676,461
General machinery	70,419,345
Buildings	19,862,556,528
Land	<u>7,000,000</u>
Total	63,240,706,158 =====

13. Guarantee deposits

Guarantee deposits were paid for telephone, electricity and water, and can be summarized as follows :

	Rp
Telephone, electricity and water up to 1979	15,498
Electricity 1980 up to 1989	<u>248,086,600</u>
Total	248,102,098 =====

14. Deferred charges

	03-31-1990 Rp	12-31-1989 Rp	12-31-1988 Rp
Deferred promotion expenses for the coming 9 months	16,601,083,991	-	-
Deferred promotion expenses	<u>3,672,561,692</u>	<u>18,462,216,962</u>	-
Total	20,273,645,683 =====	18,462,216,962 =====	- =====

See also note B.6.

15. Accounts payable

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
Suppliers of tobacco	39,679,923	1,504,774,850	31,966,662
Suppliers of tobacco flavour	1,544,759,590	3,055,692,644	377,331,168
Suppliers of glue	172,082,080	184,859,250	255,342,240
Suppliers of paper	10,532,029,070	6,179,471,735	1,632,881,700
Suppliers of motor vehicles	-	-	966,078,300
Other suppliers	-	287,364,832	574,587,452
Others	<u>7,795,266,477</u>	<u>6,382,742,927</u>	<u>9,703,098,263</u>
Total	20,083,817,140 =====	17,594,906,238 =====	13,541,285,785 =====

They are usually settled within 1 to 2 months.  
See also note B.7.

16. Accrued expenses

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
Accrued salaries	30,000,000	263,070,543	584,546,023
Accrued selling expenses	5,434,164,759	6,832,390,415	6,105,190,992
Accrued general expenses	<u>3,569,033,170</u>	<u>6,469,614,742</u>	<u>7,342,009,239</u>
Total	9,033,197,929 =====	13,565,075,700 =====	14,031,746,254 =====

17. Taxes payable

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
Income tax article 25 last year	17,828,624,500	-	-
Income tax article 25 current year	13,963,771,200	17,828,624,500	10,876,045,650
Income tax article 23/26 current year	94,441,050	-	21,600,000
Income tax article 21 current year	<u>34,575,025</u>	<u>372,873,867</u>	<u>531,278,033</u>
Total	31,921,411,775 =====	18,201,498,367 =====	11,428,923,683 =====

The provision for income tax on taxable income for the period of 3 months (January up to March 1990) was Rp 13,963,771,200. The computation of the actual provision for income tax will be made at year end, representing the annual computation of tax on taxable income for the period January up to December 1990.  
See also notes B.8 and C.25, 25

18. Excise duties and Value Added Tax on cigarettes payables

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
Excise duty ribbons	127,551,606,000	84,585,662,250	69,842,311,604
Value Added Tax on cigarettes	<u>33,585,718,320</u>	<u>21,978,279,041</u>	<u>18,450,174,964</u>
Total	161,137,324,320 =====	106,563,941,291 =====	88,292,486,568 =====

19. Short term borrowings

Short term borrowings were granted by :

	<u>03-31-1990</u> Rp	<u>12-31-1989</u> Rp	<u>12-31-1988</u> Rp
Bank BNI Kediri	420,121,582,836	447,044,744,553	544,139,312,363
The Mitsui Bank Ltd., Singapore Branch US.\$ 60,000,000	109,380,000,000	108,000,000,000	-
The Sumitomo Bank Ltd., Singapore US.\$ 15,000,000	<u>-</u>	<u>-</u>	<u>25,935,000,000</u>
Total	529,501,582,836 =====	585,044,744,553 =====	570,074,312,363 =====

The limit of the loan from Bank BNI, Kediri was Rp 516 billion. The outstanding balance as at March 31, 1990 was Rp 420,121,582,836. The loan was used to finance buffer inventory of tobacco and clove, also for working capital for clove cigarette manufacturing and export.

The collaterals consist of raw materials, supplies, excise duty ribbons and cigarettes, 228 motor vehicles, 176 pieces of land, accounts receivable with a minimum of 100/70 x total outstanding loans and excise duties payable and clove cigarette inventory for export.

Working capital loans are bearing interest ranging from 19% to 20% per annum, while the interest on export credit is 14% per year.

The loan from Bank BNI, Kediri is expiring in 1990 and the repayment schedule is as follows :

<u>Maturity date</u>	<u>Installment</u> Rp
4 - 10 - 1990	131,193,723,200
5 - 5 - 1990	114,000,000,000
10 - 30 - 1990	<u>174,927,859,636</u>
Total	420,121,582,836 =====

The loan from The Mitsui Bank Ltd., Singapore Branch is denominated in United States dollars and amounts to US\$ 60,000,000 or equivalent to Rp 109,380,000,000. The loan is a standly L/C facility and is granted to finance buffer inventory of tobacco and clove.

It is secured by tobacco and clove inventory.  
It is bearing interest of 0.25% above SIBOR and is due in 1990.

SWAP charges paid during the period January up to March 1990 in connection with this loan totalled Rp 918,874,999.

Working capital loans of US\$ 15,000,000 or Rp 25,935,000,000 from The Sumitomo Bank Ltd., Singapore represents a revolving credit facility which will be extended monthly by issuing promissory notes. It is bearing interest of 0.65% above SIBOR per annum. The related principal and interest were repaid by the Company on July 20, 1989.

See also notes B.9, 10 and C.1, 2, 4 and 10.

20. Long term loans

	<u>03-31-1990</u>	<u>12-31-1989</u>	<u>12-31-1988</u>
	Rp	Rp	Rp
Bank BNI, Singapore			
The loan is denominated in United States dollars.			
Interest rate 1% above Sibor, due 1992	22,935,618,750	24,705,000,000	31,640,700,000
The Sumitomo Bank Ltd., Singapore			
The loan is denominated in United States dollars.			
Interest rate 0.65% above Sibor, due 1991	27,345,000,000	27,000,000,000	-
The Mitsui Bank Ltd., Singapore Branch			
The loan is denominated in United States dollars.			
Interest rate 0.25% above Sibor, due 1990	-	-	<u>103,740,000,000</u>
	50,280,618,750	51,705,000,000	135,380,700,000
Less : Current portion of long term loans, due in one year :			
Bank BNI, Singapore	<u>(8,340,225,000)</u>	<u>(8,235,000,000)</u>	<u>(7,910,175,000)</u>
Balance of long term loans	41,940,393,750 =====	43,470,000,000 =====	127,470,525,000 =====



The outstanding loan of US\$ 12,581,250 or Rp 22,935,618,750 represents a syndicated credit facility, granted by Bank BNI Singapore, to finance purchases of machinery for clove cigarette manufacturing. The loan is secured by a number of the factory machinery through f.e.o. Swap charges paid during the period January up to March 1990 in connection with the loan amounted to Rp 239,702,882.

The working capital loan of US\$ 15,000,000 or Rp 27,345,000,000 from The Sumitomo Bank Ltd., Singapore represents a revolving credit facility which will be extended monthly by issuing promissory notes.

SWAP charges paid during the period January up to March 1990 in connection with this loans amounted to Rp 248,611,956.

See also notes B.9, 10 and C.1, 10.

#### 21. Payables to shareholders

Payables to shareholders as at March 31, 1990 totalled Rp 123,684,523,244. The loan was granted with no fixed maturity date, and it was interest free.

Each shareholder takes part in this loan in proportion of the number of his share certificates.

See also notes D.3.

#### 22. Capital stock

During the period of 3 months, January up to March 1990, there were no changes in the composition of shareholders. According to deed No. 47 dated November 30, 1987, prepared by Suroso S.H., Notary public in Kediri, the authorized capital of the Company amounted to Rp 87,550,000,000, consisting of 704 shares serial A and 1,047 shares serial B with a par value of Rp 50,000,000 each.

The distinction of the shares in serial A and serial B is made in connection with the fact that only serial A shareholders are entitled to be nominated Board members.

Part of the capital stock of Rp 87,550,000,000 originated from the conversion of the revaluation difference as of January 1, 1979 and 1987 of Rp 7,270,000,000 and Rp 46,650,000,000 respectively into capital.

The composition of the shareholders is as follows :

<u>Shareholders</u>	<u>Share serial A</u> (Number)	<u>Share serial B</u> (Number)	<u>Total</u> Rp
Tan Siok Tjien	192	208	20,000,000,000
Rachman Halim	113	187	15,000,000,000
Susilo Wonowidjojo	111	169	14,000,000,000
Sigid Sumargo Wonowidjojo	107	173	14,000,000,000
Sumarto Wonowidjojo	99	161	13,000,000,000
Juni Setiawati Wonowidjojo	41	69	5,500,000,000
Wurniati Wonowidjojo	41	69	5,500,000,000
Bintoro Tandjung	-	11	550,000,000
<b>Total</b>	<b>704</b> ===	<b>1,047</b> =====	<b>87,550,000,000</b> =====

See also notes D.3.

23. Sales revenue

	<u>1990</u> (3 Months) Rp	<u>1989</u> (12 Months) Rp	<u>1988</u> (12 Months) Rp
<u>Export</u>			
Hand clove cigarettes	532,073,920	4,407,416,570	1,239,384,425
Straw cigarettes	2,900,800	22,276,000	10,044,000
Machine clove cigarettes	<u>2,584,076,988</u>	<u>9,875,492,130</u>	<u>2,588,284,000</u>
	<u>3,119,051,708</u>	<u>14,305,184,700</u>	<u>3,837,712,425</u>
<u>Local</u>			
Hand clove cigarettes	126,642,042,892	459,471,995,937	423,522,490,817
Straw cigarettes	3,012,286,440	11,515,324,900	10,585,714,062
Machine clove cigarettes	<u>294,119,832,778</u>	<u>878,555,997,718</u>	<u>849,363,503,070</u>
	<u>423,774,162,110</u>	<u>1,349,543,318,555</u>	<u>1,283,471,707,949</u>
<u>Total</u>			
Hand clove cigarettes	127,174,116,812	463,879,412,507	424,761,875,242
Straw cigarettes	3,015,187,240	11,537,600,900	10,595,758,062
Machine clove cigarettes	<u>296,703,909,766</u>	<u>888,431,489,848</u>	<u>851,951,787,070</u>
	<u>426,893,213,818</u> =====	<u>1,363,848,503,255</u> =====	<u>1,287,309,420,374</u> =====

24. Cost of goods sold

Cost of goods sold for the three months ended March 31, 1990 and the years ended December 31, 1989 and 1988 consists of :

	1990 (3 Months) Rp	1989 (12 Months) Rp	1988 (12 Months) Rp
Direct production cost	159,804,857,832	513,805,189,463	479,968,402,351
Indirect production cost	<u>458,685,525</u>	<u>2,769,070,830</u>	<u>2,972,522,738</u>
	160,263,543,357	516,574,260,293	482,940,925,089
Changes in goods in process	<u>561,984,350</u>	<u>(8,518,172,056)</u>	<u>100,371,366</u>
Cost of goods manufactured	160,825,527,707	508,056,088,237	483,041,296,455
Changes in finished goods	<u>(6,047,741,555)</u>	<u>(2,160,762,707)</u>	<u>924,334,796</u>
	154,777,786,152	505,895,325,530	483,965,631,251
Adjustments on employees' cigarettes, promotion and excise duty/Value Added Tax on cigarettes	<u>174,595,155,765</u>	<u>542,406,456,617</u>	<u>495,871,207,233</u>
Cost of goods sold	<u>329,372,941,917</u>	<u>1,048,301,782,147</u>	<u>979,836,838,484</u>

25. Income taxes

The computation of the provision for income tax on taxable income for the period of the three months ended March 31, 1990 is as follows :

	03-31-1990 Rp	12-31-1989 Rp	12-31-1988 Rp
Earnings current year	39,236,148,754	46,013,964,928	26,470,577,642
Positive (negative) fiscal adjustments :			
Employees' literature	9,964,496	17,485,694	8,680,753
Charges on land acquisition	25,060,605	9,900,919	326,020,085
Donations to employees	5,275,137	38,462,996	32,202,089
Personal donations	36,864,396	173,470,809	149,051,728
Donations to companies	549,673,728	2,579,541,152	1,641,038,857
Cigarettes for employees	517,381,138	1,766,115,317	1,710,282,381
Depreciation of buildings and motor vehicles	128,430,469	546,476,553	522,326,210
Depreciation of fixed assets sold	(595,166,466)	(189,347,877)	-
Building exploitation	-	-	<u>231,380,122</u>
Taxable income	<u>39,913,632,257</u>	<u>50,956,070,491</u>	<u>31,091,559,867</u>

Income tax payable based on tax rates :

15% of Rp 10 million	1,500,000	1,500,000	1,500,000
25% of Rp 40 million	10,000,000	10,000,000	10,000,000
35% of Rp 39,863,632,257, Rp 50,906,070,491 and Rp 31,041,559,867 each for 1990, 1989 and 1988	<u>13,952,271,200</u>	<u>17,817,124,500</u>	<u>10,864,545,650</u>
Total	<u>13,963,771,200</u>	<u>17,828,624,500</u>	<u>10,876,045,650</u>
	=====	=====	=====

Prepayments of income tax based on article 25 for the period January up to March 1990 amounted to Rp 916,305,584.

The taxable income for 1988 is in conformity with the final tax return for corporate income tax for 1988.

Persuant to the Company's request, Kepala Kantor Pelayanan Pajak Kediri has agreed to extent the submission of the final tax return for corporate income tax for 1989 till September 29, 1990.

See notes 5 and 17.

D. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the balance sheet and statement of income in 1988 have been reclassified to conform with the 1989 financial statement presentation.

E. POST BALANCE SHEET EVENTS

The post balance sheet events (March 31, 1990) can be disclosed as follows :

1. Partial exemption from excise duty on domestic tobacco products

The Minister of Finance by decision letter No. 319/KMK.01/1990 dated March 9, 1990 determined partial exemption from excise duty on domestic tobacco products.

The decree which is effective from April 1, 1990 up to March 31, 1991 determined the following of excise duties :

<u>Type of tobacco product</u>	<u>Current year's production</u>	<u>Excise duty rate *)</u>
- Filter or non-filter clove cigarettes, produced by machine (SKM)	- Over 8.5 billion pieces	37.5 %
	- Over 2.5 billion up to 8.5 billion pieces	35 %
	- Over 675 million up to 2.5 billion pieces	32.5 %
	- 675 million pieces or less	30 %
- Filter clove cigarettes semi produced by machine	-	30 %
- Filter or non-filter Clove cigarettes, produced by other means than machine (SKT)	- Over 5 billion pieces	17.5 %
	- Over 2 billion up to 5 billion pieces	15 %
	- Over 1.2 billion up to 2 billion pieces	12.5 %
	- 1.2 billion pieces or less	5 %
- Benzoin cigarettes (KLM) and straw cigarettes (KLB) = non K-1000 = K-1000	-	5 %
	-	2.5 %
	-	

2. Changes in Value Added Tax on domestic tobacco

The Minister of Finance by decision letter No. 605/KMK.04/1990 dated May 25, 1990 revised the Value Added Tax (Pajak Pertambahan Nilai) on domestic tobacco from 7.7% to 8.2% effective July 1, 1990, except for cigarette manufacturers of the group K-1000 (small businesses) who are exempted from taxes.

3. Extraordinary shareholders' meeting of PT Perusahaan Rokok Tjap "Gudang Garam"

a. Annual shareholders' meeting

The annual shareholders' meeting of PT Perusahaan Rokok Tjap "Gudang Garam" was held on June 6, 1990. The minutes of the meeting were prepared by Amrul Partomuan Pohan S.H., LLM, Notary public in Jakarta and contained in his deed No. 38 dated June 6, 1990.

The following decisions were made :

- To approve and accept the Company's balance sheet and statement of income for the year ended December 31, 1989, and to give "acquit & discharge" to the Board of Commissioners and Directors.
- To approve and to decide on the capitalization of :

General reserve of Rp 80,000,000,000,  
Retained earnings of Rp 131,965,281,527,  
Difference on revaluation of fixed assets of  
Rp 14,395,229,

by distributing bonus shares to the shareholders.

- To approve the capitalization of payables to the shareholders of Rp 123,684,523,244 by issuing new shares.

b. Extraordinary shareholders' meeting

The extraordinary shareholders' meeting of PT Perusahaan Rokok Tjap "Gudang Garam" was held on June 6, 1990. The minutes of the meeting were prepared by Amrul Partomuan Pohan S.H., LLM, Notary public in Jakarta and contained in his deed No. 39 dated June 6, 1990.

The following decisions were made :

- To approve and decide on the resignation of all the present members of the Board of Commissioners and Directors, and at the same time appoint the following new members :

Board of Commissioners

President Commissioner	:	Imam Soebagio
Commissioners	:	Haji Somala Wiria Thomas Darmadji Rachmad Subagijo Juni Setiawati Wonowidjojo Wurniati Wonowidjojo Thomas Darmadji Rachmat

Board of Directors

President Director	:	Rachman Halim
Vice President Director I	:	Susilo Wonowidjojo
Vice President Director II	:	Bintoro Tandjung
Vice President Director III	:	Mintarya
Directors	:	Sigid Sumargo Wonowidjojo Sumarto Wonowidjojo Yudiono Muktiwidjojo Sujoso Notokusumo Djajusman Suryowijono

- The meeting approved and decided to increase the authorized capital from originally Rp 87,550,000,000 to Rp 580,000,000,000 and to change the par value of the shares from Rp 50,000,000 to Rp 1,000 per share.
- The meeting unanimously agreed and decided to offer and sell the Company's shares to the public through the Capital Market in Indonesia, payments of which are to be received at the close of the primary market concerned, viz. shares with a nominal value of Rp 57.807.800.000 out of the Company's portfolio.

The meeting gave authority to the Directors with the approval of the Board of Commissioners to offer and sell the shares to the public through the Capital Market in Indonesia at a price and on conditions agreed by the Underwriters and the Company's Directors.

- The meeting agreed and decided to give authority to the Company's Directors to register additional shares with a nominal value of Rp 38,396,600,000 which are owned by non-stock exchange shareholders, viz. 5% of total shares owned by the shareholders concerned.
- The meeting agreed and decided to give authority to the Company's Directors to revise the Articles of Incorporation as a whole, thereby taking into consideration certain guidelines.

c. The composition of the new shareholders is as follows :

<u>Shareholders</u>	<u>Number of Shares (In thousand)</u>	<u>Total (Rp 000)</u>	<u>Ownership (%)</u>
Tan Siok Tjien	131,800	131,800,000	31.2
Rachman Halim	76,000	76,000,000	18.0
Juni Setiawati Wonowidjojo	34,800	34,800,000	8.2
Susilo Wonowidjojo	50,800	50,800,000	12.0
Sigid Sumargo Wonowidjojo	47,900	47,900,000	11.3
Wurniati Wonowidjojo	34,800	34,800,000	8.2
Sumarto Wonowidjojo	44,500	44,500,000	10.5
Bintoro Tandjung	<u>2,614.2</u>	<u>2,614,200</u>	<u>0.6</u>
	423,214.2	423,214,200	100.0
	=====	=====	=====

4. On June 18, 1990, the Directors of PT Perusahaan Rokok Tjap "Gudang Garam" submitted letter No. 6468/GG-23/VI/90 to Badan Pelaksana Pasar Modal (BAPEPAM) relating to the registration of the Company's shares at the Stock Market. PT Danareksa and PT Merchant Investment Corporation are acting as its underwriters.
5. On June 18, 1990, the Company has submitted its final tax return for corporate income tax for 1989 to Kantor Pelayanan Pajak Kediri. Corporate income tax which was paid on this date of Rp 10,288,474,662 was in conformity with the total amount of taxes payable.
6. In connection with the Company's proposal to offer and sell its shares to the public, the Company has amended its capital structure in accordance with the extraordinary shareholders' meeting vide notarial deed of Amrul Partomuan Pohan SH., LLM No. 28 dated July 7, 1990 which was approved by the Minister of Justice by decision letter No. C2-4057.HT.01.04-TH.90 dated July 11, 1990.

See also note D.3.

E. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the balance sheet and statement of income in 1988 and 1989 have been reclassified to conform with the 1990 financial statement presentation.



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## **XVI. ARTICLES OF ASSOCIATION**

### **NAME AND DOMICILE**

#### **Article 1**

1. This Company operates with the name of

“PT PERUSAHAAN ROKOK TJAP GUDANG GARAM”  
(abbreviated as PT GUDANG GARAM)  
having domicile and head office in Kediri.

2. The Company may open branch or representative office in other places, inside and outside the territory of the Republic of Indonesia, as determined by the Board of Directors.

### **PURPOSES AND OBJECTIVES**

#### **Article 2**

Purposes and objectives of the Company are:

1.a. To establish and carry on industrial enterprise in the broadest sense of the word, especially the industry of producing cigarettes, parts of cigarettes, parts that are related to cigarettes and other products or goods which are used or needed in the process of producing cigarettes;

b. To carry on business in the field of tobacco plantation, clove and other plants;

c. To carry on tobacco factory, cultivate the tobacco leaves, clove and other products which are related thereto;

d. To market the products to the domestic and foreign market, in the broadest sense of the word.

2. The Company is entitled to establish, take part in the establishment or participating in other entity or other legal entities, which objectives are similar or almost similar with the objectives of the Company, either in the form of joint venture and joint enterprises.

3. The Company may undertake other activities to obtain the objectives, provided not in contravene or against the laws, public order, good morality and/or not against the rights of other parties.

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## COMMENCEMENT AND DURATION

### Article 3

The Company is established for the period of 75 (seventy five) years starting from November 17th, 1971, unless the term is extended by the appropriate authority on the request of the Board of Directors based on the resolution of General Shareholders Meeting.

## CAPITAL

### Article 4

1. The Authorized Capital of the company is Rp.580,000,000,000.00 (five hundred and eighty billion Rupiahs) which divided into 580,000,000 (five hundred and eighty million) shares, each with nominal value of Rp.1,000.00 (one thousand Rupiahs).

2. Of the said Authorized Capital, has been subscribed and paid up in cash by the following shareholders:

a. Mistress TAN SIOK TJIEN, private citizen, residing in Kediri, totalling to 131,800,000 (one hundred thirty one million and eight hundred thousand) shares, with the total nominal value of Rp.131,800,000,000.00 (one hundred and thirty one billion eight hundred million Rupiahs).

b. Mister RACHMAN HALIM, totalling to 76,000,000 (seventy six million) shares, with a total nominal value of Rp.76,000,000,000.00 (seventy six billion Rupiahs).

c. Mistress YUNI SETIAWATI WONOWIDJOJO, private citizen, residing in Kediri, totalling to 34,800,000 (thirty four million eight hundred thousand) shares, with a total nominal value of Rp.34,800,000,000.00 (thirty four billion eight hundred million Rupiahs).

d. Mister SUSILO WONOWIDJOJO, entrepreneur, residing in Kediri, totalling to 50,800,000 (fifty million eight hundred thousand) shares, with a total nominal value of Rp.50,800,000,000.00 (fifty billion eight hundred million Rupiahs).

e. Mister SIGID SUMARGO WONOWIDJOJO, entrepreneur, residing in Kediri, totalling to 47,900,000 (fourty seven million nine hundred thousand) shares, with a total nominal value of Rp.47,900,000,000.00 (fourty seven billion nine hundred million Rupiahs).

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f. Miss WURNIATI WONOWIDJOJO, private citizen, residing in Kediri, totalling to 34,800,000 (thirty four million eight hundred thousand) shares, with a total nominal value of Rp.34,800,000,000.00 (thirty four billion eight hundred million Rupiahs).

g. Mister SUMARTO WONOWIDJOJO, entrepreneur, residing in Kediri, totalling to 44,500,000 (fourty four million five hundred thousand) shares, with at a total nominal value Rp.44,500,000,000.00 (fourty four billion five hundred million Rupiahs).

h. Mister BINTORO TANDJUNG, entrepreneur, residing in Kediri, totalling to 2,614,200 (two million six hundred and fourteen thousand two hundred) shares, with a total nominal value of Rp.2,614,200,000.00 (two billion six hundred and fourteen million two - hundred thousand Rupiahs).

- or totalling about 423,214,200 (four hundred twenty three million two hundred and fourteen thousand two hundred) shares, with a total nominal value of Rp.423,214,200,000.00 (four hundred twenty three billion two hundred and fourteen million two hundred thousand Rupiahs);

-which payment derived from: -

a. payment for old shares subscribed by shareholders of the Company amounting to Rp.87,550,000,000.00 (eighty seven billion five hundred and fifty million Rupiahs);

b. capitalization of Reserve Fund amounting to Rp.80,000,000,000.00 (eighty billion Rupiahs);

c. capitalization of Retained Earning up to the thirty first day of December one thousand nine hundred and eighty nine (31-12-1989) amounting to Rp.131,965,281,527.00 (one hundred and thirty one billion nine hundred and sixty five million two hundred and eighty one thousand five hundred and twenty seven Rupiahs);

d. capitalization of the balance of the revolution increasement amounting to Rp.14,395,229.00 (fourteen million three hundred and ninety five thousand two hundred and twenty nine Rupiahs).

e. capitalization of shareholders loan amounting to Rp.123,684,523,244.00 (one hundred and twenty three billion six hundred and eighty four million five hundred and twenty three thousand two hundred and fourty four Rupiahs).

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3. For the first time will be issued, offered and sold to Public through the Stock Exchange in Indonesia, which payment be realised upon the closing of the Primary Market totalling to 57,807,800 (fifty seven million, eight hundred and seven thousand eight hundred) shares or in the total aggregate nominal value of Rp.57,807,800,000.00 (fifty seven billion eight hundred and seven million eight hundred thousand Rupiahs), therefore the total number of issued shares after the closing of the Primary Market totalling to 481,022,000 (four hundred and eighty one million twenty two thousand) shares or with a total aggregate nominal value of Rp.481,022,000,000.00 (four hundred and eighty one billion, twenty two million Rupiahs).

4. Other shares will be issued by the Board of Directors in accordance with the need of the Company; at such a time and under such condition to be determined by the Board of Directors with the approval of the General Meeting of shareholders; subject to the provisions of the Articles of the Association and due regard to the regulation of the Stock Exchange in Indonesia.

5. If the remaining shares are to be issued by private placement, all shareholders whose name are listed in the book of Register of Shareholders will be given priority to purchase the shares to be issued, and each shareholder shall be entitled to purchase them, as nearly as possible to the proportion of their shareholding within the period of 1 (one) month after the Board of Directors announces its decision on the issuance of the share concerned in one Indonesian Language Daily Newspaper with a wide circulation within the territory of the Republic of Indonesia, in accordance with the judgement of the Board of Directors, and if within 1 (one) month period the shareholders do not purchase the shares offered to them, and do not pay in cash, the price of the offered shares offered to the Company, then by the lapse of the 1 (one) month period shall be sufficient evidence of their intention not to exercise their rights or option, and therefore a warning to the shareholders concerned shall not be required, and the Board of Directors shall then issue the share above mentioned to other shareholders in the Company with a similar price and conditions, and with due regard to the provision concerning foreign investor in the field of Stock Exchange, in the event after the second afforded, there exist unpurchased shares, then the unpurchased share shall not be issued and remained in the port folio of the Company.

6. The remaining shares shall have been issued by the Company within the period of 10 (ten) years as from the day of the approval of the appropriate authority to the amendment of this Articles of Association, unless such period is extended by the authority, if deemed necessary, on request of the Board of Directors with the approval of the General Meeting of Shareholders of the Company.

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7. In the event Authorized Capital of the company is increased, the issuance of further shares may only be done by the Board of Directors at a such time and under such conditions determined by the meeting of the Board of Directors, and the meeting of the Board of Directors shall determine the price of the shares to be issued and other conditions which are deemed necessary, but shall not be below the par value, provided that the decisions of the Meeting of the Board of Directors shall also be approved by the General Meeting of Shareholders, and without prejudice to the approval of the appropriate authorities.

8. In the event of a further increase of the issued shares in relation with the capital increase mentioned in paragraph 7 of this article, the provision of paragraph 5 shall also be mutatis mutandis applicable to private placement in for the issuance of new shares due to the increase of capital.

## **SHARES**

### **Article 5**

1. All shares in the company are issued in the names of the owners such as registered in the Register of shareholders of the Company.

2. For each share shall be issued one share certificate signed by the Board of Directors, or the signature is printed directly on the share certificate and the share certificates shall bear a serial number and have an issuing date and other identities as determined by the Board of Directors.

3. For the ownership of more than 1 (one) share can be issued a collective share certificate, in the collective share certificate shall bear the signature of the Board of Directors, or the signature is printed directly on the collective shares certificate.

4. The Company shall only recognized one person as the owner of one share, either individual or entity, who has the rights to perform or use all the rights under prevailing laws and regulations given on a share.

5. In the event one share for whatever reason becomes the property of several persons so those persons, shall then be obligated to appoint in writing a person among them or another person as their joint representative, and only this representative's name shall be entered in the Register of Shareholders of the Company, and this representative shall be deemed as the legal owner of the share concerned and shall be entitled to exercise and use all rights conferred by the Law upon the said share.

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In case the joint owners of the shares fail to inform the Company by a written notice of the appointment of their representative, the Company shall be entitled to treat the shareholder whose name is registered in the Register of Shareholders of the Company as only legal owner of the share.

6. For shares of the company registered in the Stock Exchange of the Republic of Indonesia, are subject to applicable regulations of the Stock Exchange where the share are registered.

7. The owner of one or more shares, according to the Law, is obligated to comply with the Articles of Association and lawful resolution of General Meeting of Shareholders.

## **DUPLICATES**

### **Article 6**

1. Damaged share certificates, which can not be used any longer, can be replaced with their duplicates on written request from the parties concerned to the Board of Directors by the delivery of the damaged share certificate or the share certificate needed to be replaced, or for any other reasons decided by the Board of Directors deems to be replaced, the Board of Directors may replace the share certificate with new ones having the same number as the originals. The Original Certificate shall be destroyed by the Board of Directors in the next meeting of the Board of Directors, this shall be recorded in the minutes of the meeting and the minutes of such meeting of that purpose shall be made.

2. In the event the share certificates mentioned in paragraph one above are lost or totally damaged, then the duplicates may be issued to the shareholder concerned on written request to the Board of Directors, provided that the shareholder gives sufficient evidence acceptable to the Board of Directors, that the share certificates are really lost or totally damaged and the shareholder also provide sufficient guarantees as may be deemed necessary by the Board of Directors for each individual case.

3. The issuance of duplicates due to lost, or totally damaged share certificates or for other reasons as determined by the Board of Directors deems necessary to be replaced shall be announced in at least 1 (one) Indonesian Language Newspaper with national wide circulation in the territory of the Republic of Indonesia, accordance with the judgement of the Board of Directors at the latest 30 (thirty) calendar days before the issuance of such duplicates.

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4. For the issuance of the duplicates of the shares registered in the Indonesian Stock Exchange, shall also be subject to the Stock Exchange regulations, where the shares are registered, without prejudice the provisions of the prevailing laws and regulation.

5. The issuance of the duplicate of shares, under the provision of this article shall make the original certificate void and no longer valid.

6. All costs incurred for the replacement of the original certificate, under the provision of this article, shall be borne by the share holder concerned.

7. The provisions in paragraph 1 through 6 of this article shall *mutatis mutandis* applicable to the issuance of the duplicates of the collective share certificate.

## **REGISTER OF SHAREHOLDER**

### **Article 7**

1. The Board of Directors is obliged to keep a Register of Shareholders of the Company, containing the names and addresses of every shareholders concerned as notified in writing by the shareholders to the Board of Directors, the serial number and the total number of shares owned by a shareholder and other matter deemed necessary by the Company and/or required under the applicable laws and regulation without detracting the provisions of these Articles of the Association. The shareholder is obliged to inform the Board of Directors by a written notice on every change in his address or on other matters of a shareholder and before this notification has been duly received by the Board of Directors, the address and other matters recorded in the Register of Shareholders, are valid and shall be used for all correspondence, summons and dividends sent to shareholders, and also for other rights applicable to shareholders.

2. The Board of Directors shall make Register of Shareholders available in the office of the Company, the shareholders or his legal representative can request that the Register of Shareholders concerning the individual shareholder, shown to him at the time the company's office is opened.

3. Upon written request of the concerned shareholders or pledgee, a pledge of share shall be recorded in the Register Shareholders in a manner to be determined by the Board of Directors based on satisfactory evidence acceptable to the Board of Directors, in respect to the pledge of share concerned. The acknowledgement of such pledge by the Company such as required under the Article 1153 of the Indonesian Civil Code shall only be evidenced by the annotation of the pledge in the Register of Shareholders.

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4. Any recording and/or alteration in the Register of Shareholders need the approval of the Board of Directors or its duly representative and evidenced by signing the record on such alteration by the Board of the Directors or a representative assigned by them.

5. Every registration or recording, in the Register of Shareholders, including the annotation of a sale, transfer, encumbrance pledge, cessie concerning the shares or rights or any interest on the shares shall be carried out in line with the Articles of Association for the shares registered in the Stock Exchange of Indonesia shall not prejudice the regulation of the Stock Exchange where the shares are registered.

6. The Board of Directors is obliged to keep the register of shareholders properly.

## **TRANSFER OF SHARES**

### **Article 8**

1. In the event of any change in the ownership of a share, the original shareholder registered in the Register of Shareholders shall be considered as shareholder until the name of the new shareholder has been registered in the Register of Shareholder, one and other without prejudice to the permit of the appropriate authority.

2. All transfer and change of ownership of shares must be evidenced by a document signed by or on behalf of the transferor and by or on behalf of the transferee of the share concerned. The document related to the transfer of rights of the share must be in the form as determined and/or that can be approved by the Board of Directors, on conditions that the transfer document of shares registered in the Stock Exchange in Indonesia must comply with the regulation of the Stock Exchange where the shares are registered, without detracting the regulations of the applicable laws concerning the transfer of share.

3. The transfer of rights is recorded both in the Register of Shareholder concerned and also in the share certificate concerned, the annotation shall be signed by the Board of Directors or its legal representative.

4. The Board of Directors can refuse to register the transfer of share in the Register of Shareholder of the Company if the procedures as under the Articles of Association or determined by meeting the Board of Directors are not fulfilled or when one of the licences given or other condition put to the Company by the appropriate authority is not fulfilled.



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5. Concerning shares of the Company which listed in the Stock Exchange in Indonesia, each refusal to register the transfer of share must be in accordance with the applicable regulations in the Stock Exchange where the share is registered.

6. If the Board of Directors decline to register the transfer of share, it is obliged to send to the prospective transferor of the refusal, within 30 (thirty) calendar days after the application date for the registration has been received by the Board of Directors.

7. The transfer of share shall not be carried out during the period from the date of the notice for a General Meeting of Shareholders until the closing date of the meeting.

8. Any party entitled to a share due to death of a shareholder or due to any other reasons which cause the ownership on a share by operation of law is transferred may upon producing such evidences of rights as from time to time required by the Board of Directors, apply in writing to be registered as a shareholder. Registration shall only be done if the Board of Directors can accept the evidences of rights without prejudice to any provision in these Articles of Association or the prevailing laws and regulation.

9. All limitation, prohibition and provision in these Articles of Association, regulating the rights to transfer a share and the registration of the transfer of share shall also applicable as mutatis mutandis to every transfer of right in line with paragraph 8 of this article.

## **MANAGEMENT**

### **Article 9**

1. This Company shall be managed by the Board of Directors under the supervision of the Board of Commissioners. The Board of Directors consists of one a President Director and at least one Vice President Director and at least one Director.

2. Notwithstanding to provisions in paragraph 3, 4 and 5 of this Article, members of the Board of Directors shall be appointed by the General Meeting of Shareholders for a period commencing from a General Meeting of Shareholder appointing them until the closing of the fifth annual General Meeting of Shareholders, from the date they are appointed, except the General Meeting of Shareholders decides otherwise.

3. Any member of the Board of Directors whose term of office has expired shall be illegible for re-election.

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4. The General Meeting of Shareholders at any time may dismiss a member of the Board of Director(s) prior to the expiration of his/their term of office. Such dismissal shall be effective as from the closing date of the Meeting unless another termination date is otherwise determined by the General Meeting of Shareholders.

5. In case a vacancy occurs in the Board of Director for whatsoever reason, either by resignation, or death or due to other reason that resulted the provision in paragraph 1 of this Article concerning the minimum numbers of the Board of Directors is not fulfilled, then within the period of 6 (six) months after the vacancy occurs a General Meeting of Shareholders shall be held, to fill the vacancy without prejudice to other provision of the Articles of Association. The term of office of the person designated to replace a member of the Board of Director resign in such a way or to fill such vacancy, or of the person appointed as an addition to the existing members of the Board of Directors shall be the remaining term of office of the member of the Board of Directors then in function.

6. A member of the Board of Directors may resign from his post by giving a notice in writing to the Company of his intention 30 (thirty) calendar days in advance.

7. To such aforementioned resigning, dismissed member of the Board of Director, or to the member of the Board of Directors whose term of office has expired, responsibilities might still be required for the period from the date of his appointment until the date of his resignation, dismissal, or expiration of his term of office, in the next General Meeting of Shareholders.

8. The term of office of any member of Board of Directors shall automatically terminate if the member of Board of Director:

- a. is declared bankrupt or put under the custody based on court decision, or
- b. is dismissed as stipulated by in paragraph 4 of this article 9, or
- c. is prohibited from becoming a member of the Board of Directors under the provision of the prevailing laws, or
- d. resigns by a written notice, as stipulated by in paragraph 6 of this articles, or
- e. dies.

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9. To the member of the Board of Directors may be paid monthly salary, and other allowances included retirement allowances which shall be determined by the Board of Commissioners.

## **THE DUTIES AND AUTHORITIES OF THE BOARD OF DIRECTORS**

### **Article 10**

1. Main duties of Board of Directors are:

a. to preside over and manage the Company in accordance with the purposes and objectives of the Company and always endeavours to promote the efficiency and effectiveness of the Company.

b. to manage and maintain the assets of the Company.

2. President Director has the authority to act for and on behalf of the Board of Directors. In the event the President Director is ill, or absent or unable to perform his duty for any other reasons, which shall not be necessary to prove it to the third parties, so Vice President Director has the authority to act for and on behalf of the Board of Directors. Should the Vice President Director is ill or absent or unable to perform such a replacement, which shall not be necessary to prove it to the third parties, any member of the Board of Directors has the authority to act for and on behalf of the Board of Directors.

3. The Board of Directors represents and binds the Company within and outside the Court of Justice and has the rights to act for and on behalf of the Company concerning all management and ownership undertakings, with a provision that written approval or the contra-signature of the President Commissioner or 2 (two) other members of the Board of Commissioner on deed is required for the following matters:

a. disposing of immovable property included the assets of the Company;

b. borrowing on behalf of the company from whomsoever, except borrowing resulted from business transaction with business clients and/or suppliers;

c. lending money of the Company, except lending to the Company's employee, and accounts payable resulted from business transaction with business clients and/or suppliers;

d. pledging or otherwise encumbering in whatever ways the assets of the Company;

e. binding the company as a guarantor in whatever forms or manners;

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4. Without prejudice to their responsibilities, the Board of Directors for certain acts are entitled to appoint one or more proxy with conditions decided by the Board of Directors with special letter of power of attorney; such authority shall be carried out in accordance with the Articles of the Association.

5. All acts of the members of Board of Directors which are contravene with the Articles of the Association is not valid.

6. In the event the interest of the Company is in conflict with the interest of a member of the Board of Directors, then the Company shall be represented by other member of Board of Directors whose interest is not in conflict with the interest of the Company.

## **MEETING OF THE BOARD OF DIRECTORS**

### **Article 11**

1. The Meeting of the Board of Directors shall be held on request of President Director, or 1 (one) or more members of Board of Directors, at such a time as they shall deem necessary, provided that a written notice for such meeting shall be delivered by a registered letter, or shall be hand delivered by receiving a proper receipt or by cable, telex or facsimile, which shall be confirmed by registered letter to be sent to the members of Board of Directors, at least 7 (seven) calendar days before the date of the meeting, or on urgent case, 3 (three) calendar days before the meeting is held. The notice for the meeting shall include agenda of the meeting, the date, time and place of the meeting.

If all members of the Board of Directors are present and/or represented, such prior written notice is not required. The Meeting of Board of Directors shall be held in the territory of the Republic of Indonesia at a time and place determined by the members of the Board of Directors summoning the meeting.

2. President Director shall preside over the Meeting of the Board of Directors. In case President Director is not present or not available, which shall not be necessary to prove it to any other third party, Vice President Director shall preside over the meeting, and if Vice President Director is not present, one member of the Board of Directors shall be designated by members of the Board of Directors shall preside over the meeting.

3. The Meeting of the Board of Directors is legal and shall be entitled to take binding decisions only if more than 50 % (fifty percent) of members of Board of Directors is in function are present or represented at the meeting.

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4. In the Meeting of the Board of Directors, a member of the Board of Directors may only be represented by another member of the Board of Directors by written power of attorney.

5. Resolution of the Meeting of Board of Directors shall be taken based on affirmative votes of more than 50 % (fifty percent) of the total number of the members of the Board of Directors, are present or represented.

6. Each member of the Board of Directors is entitled to cast 1 (one) vote and shall cast 1 (one) more vote for another member of Board of Directors he represent.

7. Blank vote or unlawful votes shall be regarded not legally cast and shall not be included in determining the total votes that are cast in the Meeting of the Board of Directors.

8. The Minutes of the Meeting of the Board of Directors shall be drawn up by a person present at the meeting designated therefore by the Chairman at the meeting, and then shall be signed by the Chairman of the meeting and also by one of the other member of the Board of Directors who is present at the meeting to verify the completeness and accuracy of the Minutes of the Meeting. The Minutes of the Meeting shall serve as legal evidence for members of the Board of Directors and for third party on the resolutions taken at the Meeting. If the Minutes of Meeting is drawn-up by Notary, such signature shall not be required.

9. The Board of Directors may also adopt lawful resolutions without convening a meeting of Board of Directors, provided that all members of Board of Directors have been notified in writing of the proposal concerned and more than 50 % (fifty percent) of the members of the Board of Directors who are in function have agreed to the proposal concerned by signing a written consent.

The decision of the Board of Directors taken in such a way is equal with the resolution adopted in a Meeting of the Board of Directors.

## **THE BOARD OF COMMISSIONER**

### **Article 12**

1. The Board of Commissioners comprising at least 3 (three) members and one of whom shall be designated as President Commissioner.

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2. President Commissioner or two members of the Board of Commissioners, shall be entitled to act for and on behalf of the Board of Commissioners.

3. Subject to the provisions in paragraph 5, 6, 7 of this Article, members of the Board of Commissioners shall be designated by the General Meeting of Shareholders for a period commencing from the date of the General Meeting of Shareholders electing them until the closing of the fifth Annual Meeting of Shareholders after the date of their election, except the General Meeting of Shareholders determines otherwise.

4. Member of Board of Commissioner whose term of office has expired shall be eligible for re-election.

5. The General Meeting of Shareholders may - dismiss a member of the Board of Commissioners prior to the expiration of its term of office. Such dismissal shall be effective from the closing date of the meeting, except it another date of dismissal has been determined by the General Meeting of Shareholders.

6. The General Meeting of Shareholders may designate another person to fill the vacant position of the member of the Board of Commissioner who is dismissed from his post according to paragraph 5 of this article. The term of office of the person designated in place of a member of the Board of Commissioner whose position become vacant due to any reasons whatsoever, or of the person appointed as an addition to the existing member of the Board of Commissioners shall be the remaining term of office of the member of the Board of Commissioner then in function.

7. A member of the Board of Commissioner may resign from his post by giving notice in writing to the Company, about his intention, at least 90 (ninety) calendar days in advance.

8. To the aforementioned resigned, dismissed of member of the Board of Commissioners or whose term of office has expired, responsibilities shall still be demanded for his term of offices as member of the Board of Commissioners from the date of his designation

9. The term of office of any member of the Board of Commissioners shall automatically terminate if the member of the Board of Commissioners:

a. is declared bankrupt or put under custody based on a court decision, or

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- b. is dismissed as provided by paragraph 5 of article 12, or
- c. is prohibited from becoming a member of the Board of Commissioner under the provisions of the prevailing laws and regulations, or
- d. resign by a written notice such as regulated in paragraph 7 of article 12, or
- e. dies.

10. The members of the Board of Commssioner may receive remuneration or honorarium which amount shall be determined by the General Meeting of Shareholders.

11. If a vacancy occurs in the Board of Commssioners which cause the minimum number of the Board of commissioner as provided in paragraph 1 of this Article not fulfilled, then the General Meeting of Shareholders shall be convened within 6 (six) months after he vacancy occurs in order to fill that vacant position.

## **THE DUTIES AND AUTHORITIES OF THE BOARD OF COMMISSIONERS**

### **Article 13**

1. The Board of Commissioners is in charge of supervising the management of the Company by the Board of Directors.

2. All members of the Board of Commissioners, either individually or jointly, shall be entitled to enter into the buildings, offices, and premises occupied/used by company and shall be entitled to examine the books and documents and assets of the company.

3. The Board of Directors shall provide all information related to the Company required by any member of the Board of Commissioners.

4. At any time a Meeting of the Board of Commissioner may suspend a member (members) of the Board of Directors from his (their) post, if he (they) is (are) found to have done any acts that are in contravene with the Articles of Association or is disadvantage the objectives and purposes of the company or he (they) neglect his (their) duties.

5. After the suspension the Board of Commissioners shall summon in an Extraordinary General Meeting of Shareholders which shall be called within 1 (one) month after the

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date of the suspension and the meeting shall be presided over by the President Commissioner, in case he is absent by another member of the Board of Commissioners who is present at the meeting and the notice for such the meeting shall be conducted in accordance with the provisions set forth in Article 19 below.

Such meeting shall only be entitled and empowered to determine whether the suspended member(s) of Board of Directors shall be dismissed permanently or rehabilitated into his (their) post, after having called the suspended member(s) of the Board of Directors, and after having given a sufficient opportunity to him (them) to defend himself (themselves).

6. In case the aforementioned Extraordinary General Meeting of Shareholders shall has not been called within 1 (one) month, then the suspension shall cease automatically and the person suspended will be rehabilitated to his (their) former post (s).

7. In case all members of the Board of Directors are suspended, or in case due to whatever reasons there is no member of the Board of Directors at all, the Board of Commissioner shall manage the company for a temporary period.

8. In such case, the Board of Commissioners is entitled to give authority to one or more members of the Board of Commissioners to manage the Company, with due observance to the provisions in the Articles of Association. including the provision of paragraph 5 of this Article .

## **MEETING OF THE BOARD OF COMMISSIONERS**

### **Article 14**

1. The Meeting of the Board of Commissioners shall be presided over by the President Commissioner. In case the President Commissioner is not available or for any reasons is not present at the meeting, which is unnecessary to prove it to other parties, a member of the Board of Commissioner who has been elected by members of the Board of Commissioners who are present and/or represented in the meeting shall preside over the Meeting of the Board of Commissioner concerned.

2. The Meeting of the Board of Commissioner may be convened at any time and whenever deemed necessary by the President Commissioner or by other 2 (two) members of the Board of Commissioners or by the Meeting of the Board of Directors or by one of shareholders who represent more than 50 % (fifty percent) of the total issued



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shares of the Company, provided written notice for the meeting shall be delivered in writing, sent by registered mail, or hand delivered and by receiving a receipt or by cable, telex or facsimile, confirmed by a letter sent as soon as possible to the members of the Board of Commissioners at least 7 (seven) working days before the meeting is held or on urgent case, at least 3 (three) calendar days before the meeting is held. The notice shall state the agenda, date, time and place of the meeting. If all members of the Board of Commissioners are present and/or represented, such prior written notice shall not be required.

3. The members of the Board of Commissioners shall meet at a time and place determined by those calling the meeting, provided that the place of the meeting is within the territory of the Republic of Indonesia.

4. The Meeting of the Board of Commissioners is only legal and may take binding resolutions if at least more than 50 % (fifty percent) of the total number of the members of Board of Commissioners in function are present and/or represented in the meeting.

5. Resolutions of the meeting of the Board of- Commissioners shall be taken based on affirmative votes of more than 50 % (fifty percent) of the total number of the members of the Board of Commissioners who are present and/or represented.

6. Each member of the Board of Commissioners is entitled to cast 1 (one) vote and shall cast more vote for another member of the Board of Commissioners he represents.

7. Blank and unlawful vote shall be regarded not legal and shall not be included in determining the total votes that are cast in the meeting of the Board of Commissioners.

8. The minutes of the Meeting of the Board of Commissioners are drawn up by one person who is present at the meeting and appointed therefore by the chairman of the meeting and then shall be signed by the chairman of the meeting and one other member of the Board of Commissioners who is present at the meeting, to verify the completeness and the accuracy of the minutes of the meeting. If the minutes of the meeting is drawn-up by a public notary, such signature shall not be required.

9. The Minutes of the Meeting of the Board of Commissioner which are drawn-up and signed subject to provisions in paragraph 8 of this Article 7, will be valid as legal evidence for members of the Board of Commissioner and for the third parties concerning the resolutions of the Board of Commissioners taken in the meeting concerned.

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10. In the Meeting of the Board of Commissioners, a member of the Board of Commissioner may only be represented by another member of the Board of Commissioners, by a written power of attorney.

11. The Board of Commissioners may also adopt lawful/valid resolutions without convening a meeting of the Board of Commissioners, provided that all members of the Board of Commissioner have been informed in writing of the proposal concerned, and more than 50 % (fifty percent) of the total number of the members of the Board of Commissioners in function, have agreed to the proposal concerned by signing a written consent. The resolutions of the Board of Commissioners taken in such a way, are equal to resolutions adopted in a Meeting of Board of Commissioners.

## **FINANCIAL YEAR AND ACCOUNTING**

### **Article 15**

1. The financial year of the company commences on the first of January and shall be ended on the thirty first of December of the same year.

2. As from the closing date of the book of company, a balance sheet, profit and loss statement, and such other financial statements as deemed necessary or useful by the Board of Directors, shall be prepared together with the Annual Report of the Board of Directors. Balance sheet, profit and loss statement, and other parts of financial account, after being audited by a registered public account, shall be signed by the Board of Directors and the Board of Commissioners. Such documents shall be made available at the office of the company for examination by the shareholders from the date of notification that General Annual Meeting of Shareholders will be convened as set forth in Article 19 paragraph 3, below.

Copy of balance-sheet and statement of profit and loss shall be made available at the head office of the company, on written request from the shareholders and at their expense at least 14 (fourteen) calendar days before the date of the Annual General Meeting of Shareholders.

3. Resolutions on the ratification of the balance sheet and the statement of profit and loss shall be adopted by the Annual General Meeting of Shareholders in accordance with the Articles of Association.

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Approval and ratification of balance sheet and the statement of profit and loss, by the Annual General Meeting of Shareholders shall acquit and discharge all members of Board of Directors and Board of Commissioner from their responsibilities for their management and supervision they have done during the financial year concerned, provided that the conducts are revealed in the balance sheet and the statement of profit and loss except embezzlement and any other criminal acts.

## **THE GENERAL MEETING OF SHAREHOLDERS**

### **Article 16**

1. There are 2 (two) kinds of General Meetings of Shareholders:
  - a. An Annual General Meeting of Shareholders is the General Meeting of Shareholders as mentioned in article 17 below;
  - b. An Extraordinary General Meeting of Shareholders is all General Meetings of Shareholders other than the Annual General Meeting of Shareholder.
2. General Meeting of Shareholders in these Articles of Association refers to both of them, which are the Annual General Meeting of Shareholders and the Extraordinary General Meeting of Shareholders, unless specifically stated otherwise.

## **THE ANNUAL GENERAL MEETING OF SHAREHOLDERS**

### **Article 17**

The Annual General Meeting of Shareholders shall be held once a year, at the latest at the end of June each year, in which meeting:

- a. The Board of Directors shall report on the operation of the company and the financial administration of the company of the financial year just ended, the balance sheet and profit and loss statement of the financial year just ended, which have been audited by a registered public accountant and which shall be proposed for an approval and ratification.
- b. The appropriation of profit of the year just ended, and the retained earnings of the previous years shall be determined and approved.

c. A public registered accountant;

d. Resolutions are adopted on other matters duly proposed in the meeting in accordance with the Articles of Association.

## **EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**

### **Article 18**

The Board of Directors may summon for an Extraordinary General Meeting of Shareholders whenever it deemed necessary and the Board of Directors shall be obliged to call for an Extraordinary General Meeting of Shareholders upon the written request of one or more shareholders representing at least 35 % (thirty five percent) of the total number of issued shares of the Company or upon written request of the Board of Commissioners, by stating in the request the matters to be deal with. If the Board of Directors fails to call such Extraordinary General Meeting of Shareholders within the period of 1 (one) month after receiving such request, the shareholders or members of the Board of Commissioners signing the request shall be entitled to call the meeting at the expense of the Company with due observance of the provisions set forth in these Articles of Association, at which meeting the chairman of the meeting shall be elected by and from amongst those who were present at the meeting and all resolutions at the meeting are lawful and legally binding the company, provided that all provisions in these Articles of Association with respect to quorum and voting requirements for the particular subject of the matter proposed resolution shall be duly fulfilled.

## **PLACE AND NOTICE OF THE MEETING**

### **Article 19**

1. Without prejudice to other provisions in these Articles of Association, the General Meeting of Shareholders shall be held at the domicile of the company.

2. At least 30 (thirty) calendar days prior to sending the notice of the General Meeting of shareholders, parties who are entitled to send notice for the meeting shall inform to shareholders that a General Meeting of Shareholders will be held by announcing in advertisement in at least 2 (two) Indonesian Language Daily Newspaper; one of which with national wide circulation and the other one published in the domicile of the Company case no such daily newspaper, in a daily newspaper published in the capital city of the province of the domicile of the Company, such as determined by the parties who are entitled to call the General Meeting of Shareholders.

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3. The notice for the General Meeting of Shareholders shall be sent to the shareholders by- announcing in advertisement in at least 2 (two) Indonesian Language Daily Newspaper 1 (one) of which has a national wide circulation and the other which is published in the domicile of the company, if no such daily newspaper, in a daily newspaper published in the capital city of the domicile of the Company such as determined by the parties who are entitled to call the General Meeting of Shareholders. The notice for Extraordinary General Meeting of Shareholders shall be sent at least 14 (fourteen) calendar days before the date of the Extraordinary General Meeting of Shareholders, whereas notice for the Annual General Meeting of Shareholders shall be sent at least 21 (twenty one) calendar days before the date of the Annual General Meeting of Shareholders.

4. The notice shall contain the place, date and time of the meeting as well as agenda of the meeting, and of notice for an Annual General Meeting Shareholders shall accompanied by notification that balance sheet and profit and loss statement and other financial statement of the year just ended are available for examination by the shareholders at the office of the company as from the date of the notification mentioned in paragraph 2 of this article and that copies of balance sheet and profit and loss statement of the preceeding financial year are available from the company on written request and at the expense of - shareholders within the period of 14 (fourteen) calendar days before the Annual General Meeting concerned.

5. If all shareholders are present and/or represented in the General Meeting of Shareholders, the prior notice shall be - unnecessary and the meeting may be held any- where provided in the territory of the Republic of Indonesia and shall be entitled to take binding decisions.

6. Proposals from the shareholders shall be included in the agenda of a General Meeting of Shareholders if it meets the followings:

a. the proposals have been submitted in writing to the Board of Directors by one or more shareholders representing at least 30 % (thirty percent) of the total issued shares, and;

b. have been received at least 14 (fourteen) calendar days prior to the notice of such meeting; or

c. in the opinion of the Board of Directors the proposals are directly related with the undertaking of the company.

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**CHAIRMAN AND THE MINUTES OF  
THE GENERAL MEETING OF SHAREHOLDERS**

**Article 20**

1. A General Meeting of Shareholders shall be presided over by the President Director, and in case the President Director is not available or by any other reasons can not be present at the meeting, which is deemed unnecessary to be proven to the third parties, the meeting shall be presided over by a Vice President Director, if a Vice President Director by any other reasons does not present at the meeting, by another Member of Board of Directors, and in case none of the members of Board of Directors are presented at the meeting, will be presided over by President Commissioner and in case the President Commissioner by and other reasons is not present, the meeting will be presided over by one other member of the Board of Commissioners, and in case none of the members of the Board of Commissioners are present, by any other reasons, the meeting will be presided over by a person elected by and amongst those present on the basis of a majority vote legally cast without prejudice to provisions in article 13 - paragraphs 5.

2. Those who are present at the meeting shall be able to prove their authority to be present at the meeting in accordance with requirements determined by the Board of Directors in the notice of the meeting, and with due observance of the regulation of the Indonesian Stock Exchange where the shares of the Company are registered.

3. From what have been discussed and resolved in the meeting, a minutes of the meeting shall be drawn up by a notary. The Minutes of the Meeting shall serve as a valid evidence of all resolutions adopted in the meeting concerned and from all events that occur in the meeting for all shareholders and and any third parties.

**DECISIONS AND RIGHTS OF VOTE**

**Article 21**

1. Unless otherwise is stated in the Articles— of Association, the General Meeting of shareholders shall be valid and entitled to take any lawful and binding resolutions only if in the meeting are present and/or represented by means of Power of Attorney of Shareholders representing more than 51% (fifty one percent) of the total issued shares of the Company and unless otherwise is stated in the Articles of this Association all resolutions- shall be adopted with the approval of at least more than 51 % (fifty one percent) of the votes legally cast in the meeting.

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2. Each share shall grant to its holder the rights to cast 1 (one) vote.

3. Vote on persons shall be in writing and by unsigned folded ballot papers, unless the chairman of the meeting with the approval of simple majority vote of shareholders who are present or represented at the meeting allows the vote cast in different manner. Voting on other matter shall be carried out orally, unless approved by the majority vote of shareholders are in present and represented in the meeting, who required the vote to be done by folded ballot papers.

4. If the number of votes in favour and against are equal, if it deals with persons, the decisions shall be reached by lots drawing, and if on other matters the proposed matter shall be deemed as rejected.

5. Any matters put forward by shareholders during discussion or voting in General Meeting of Shareholders, shall fulfill all requirements as follows:

a. The matters in the opinion of the chairman of the Meeting are directly related with one of the agenda of the Meeting, and;

b. put forward by shareholders who represent at least 30 % (thirty percent) of the total issued shares of the company, and;

c. in opinion of the chairman of the meeting that the matter proposed is directly related with the business of the company.

6. Shareholders may be represented in the General Meeting of Shareholders by another person by virtue of a power of attorney, but members of the Board of Directors, members of the Board of Commissioners and employees of the Company shall not be allowed to act as a proxy of any shareholders in a General Meeting Share-holders of the company and to cast a vote in the meeting. Any vote cast by them as proxy shall not be valid. The Power of attorney shall be made and signed in the form determined by the Board of Directors of the Company, without prejudice to prevailing laws and regulations with respect to evidence in civil code and shall be submitted to the Board of Directors at least 3 (three) calendar days before the date of the General Meeting of Shareholders concerned.

7. Blank and unlawful vote shall be deemed not exist and shall not be counted in determining the total votes cast.

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## APPROPRIATION OF PROFITS

### Article 22

1. The Meeting of the Board of Directors shall propose to the Annual General Meeting of Shareholders on the appropriation of the net profit/earnings as stated in the financial report which have been audited by a registered public accountant and approved/ratified by the Annual General Meeting of Shareholders, which proposal may state how much of the retained net earnings may be used as a reserved fund, as stipulated in the article 23 below, and proposal of how much of the dividends that may be distributed, without prejudice to the rights of the General Meeting of Shareholders to determine otherwise.

2. Dividends shall be paid only in accordance with the financial capability of the Company based on resolution adopted in the General Meeting of Shareholders, which resolutions shall also determine the time and method of payment of dividends, a dividend for one share shall be payable to the person in whose name the share is registered in the share register of shareholders on working day determined by an authority of the General Meeting of Shareholders in which the resolution on dividends payment is adopted, one and other without prejudice to the regulations of the stock exchange in Indonesia, where the shares are registered.

The payment day shall be announced by the Board of Directors to all shareholders. Article 19 paragraph 3 shall *mutatis-mutandis* apply to such announcement.

3. The Board of Directors based on the resolution of the meeting of the Board of Directors is entitled to distribute interim dividends if the financial condition of the company so permits, based on the resolution of the Meeting of the Board of Directors with the approval of the Board of Commissioners provided that such interim dividends shall be calculated with the dividends that shall be distributed, according to the decision of the next Annual General Meeting of Shareholders, which is adopted in accordance with the provisions of these Articles of Association.

4. With regard to the profit of the Company of the financial year concerned, of the net profit in the balance sheet and profit and loss statement which have been audited by a registered public accountant and ratified by the Annual General Meeting of Shareholders and after deducted by income tax, *tantieme* can be distributed to the members of Board of Directors and members of the Board of Commissioners the amount of which shall be determined by the General Meeting of Shareholders.



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5. In case the profit and loss statement in 1 (one) financial year shows a loss which can not be covered by the reserve fund as mentioned in article 23 below, such loss shall remain recorded in profit and loss statement and furthermore for the succeeding years, the company shall not be deemed as having made a profit as long as the loss recorded in the profit and loss account has not been fully covered and without prejudice to the prevailing laws and regulations.

6. Dividends not claimed after 5 (five) years as from the day they are payable shall be forfeited and shall be included in the profit and loss statement of the Company.

### **RESERVE FUND**

#### **Article 23**

1. To cover future losses of the Company, upon recommendations of Board of Directors, reserve fund may be created and the amount thereof shall be determined by the General Meeting of Shareholders in accordance with these Articles of Association.

2. The reserve fund may be used for capital requirement or for any other purposes as determined by the General Meeting of Shareholders in accordance with these Articles of Association and with due regard to the recommendation of the Board of Directors, only for the interest of the company.

3. Subject to the resolution of the General Meeting of Shareholders and in accordance with the Articles of Association, the Board of Directors shall administer the reserve fund and endeavour that such reserve fund shall gain profit. Any profit gained from the reserve fund shall be included in the profit and loss statement of the Company.

### **ALTERATIONS IN THE ARTICLES OF ASSOCIATION**

#### **Article 24**

1. Alteration in these Articles of Association, including change of name, domicile, purposes and objectives of the Company, liquidation of the company prior to the expiration of the period mentioned in article 3, extension of the said period, increase or reduction of the company's authorized capital (decision to reduce the authorized capital shall be published by the Board of Directors in the State Gazette of the Republic of Indonesia and in at least 1 (one) Indonesian Language Daily Newspaper with

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national wide circulation as determined by the Board of Directors and the one Indonesian daily newspaper published in the domicile of the company (if no such daily newspaper in a daily newspaper published in the capital city of the domicile of the Company) and for the benefit of creditors, may only be effected by the resolution of the General Meeting of Shareholders specifically convened for that purpose, in which meeting at least 2/3 (two thirds) of the total issued shares by the Company shall be present or represented and shall also be approved by at least 2/3 (two thirds) of the total votes legally cast in the meeting.

2. If in the meeting mentioned in paragraph 1 above, the total number of shares represented do not reach a quorum required above, then within 21 (twenty one) calendar days and at the fastest 7 (seven) calendar days there after a second meeting may be convened, under the same requirements as required for the first meeting, except in relation to the period for notice and at which meeting resolutions can be adopted on the matters proposed in the first meeting.

3. Provisions in the previous paragraphs shall be without prejudice to the approvals of the authorities as required by the prevailing laws and regulations.

## **LIQUIDATION**

### **Article 25**

1. In case a resolution is adopted the General Meeting of Shareholders to liquidate the company, the liquidation shall be carried out by the Board of Directors, unless a General Meeting of Shareholders shall determine otherwise.

2. Any decision to liquidate the company shall be registered at the office of the Registrar of the appropriate District Court, and shall be announced in at least 1 (one) Indonesian Language Daily Newspaper one with national wide circulation published in the domicile of the Company if no such daily newspaper in a daily newspaper in a daily newspaper published in the capital city of the domicile of the Company and in the State Gazette of the Republic of Indonesia.

3. The Articles of Association as set forth in this deed or its further alterations shall be valid until the date of accounts of the liquidation is lawfully ratified in the General Meeting of Shareholders based on an approval of a majority of the votes legally cast and a full discharge of responsibilities shall be given to all liquidators.

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4. The remaining of the liquidation account shall be divided among shareholders each in proportion to the paid nominal value of the shares respectively owned.

**OTHER PROVISIONS**

**Article 26**

All matters that are not provided for or not sufficiently provided in these Articles of Association shall be determined by a General Meeting of Shareholders in accordance with these Articles of Association.

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## **XVII. TAXATION**

**I**ncome tax on dividend income shall be imposed in accordance with the prevailing law and regulation. Pursuant to the Decision of the Minister of Finance of the Republic of Indonesia No.250/KMK.011/1985 dated March 6, 1985 as amended by the Decision of the Minister of Finance of the Republic of Indonesia No.1033/KMK.013/1988 dated October 20, 1988, the income Pension Funds which incorporation has been approved by the Minister of Finance of the Republic of Indonesia shall not be deemed taxable income for income tax purposes, if it received or obtained from investments, including shares listed on the Indonesian Stock Exchange.

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## **XVIII. TERMS OF OFFER**

### **1. Application:**

Application must be made in accordance with the conditions set forth in the Share Application Forms. Application forms can be obtained from the Underwriters, Sub-Underwriters or authorized Selling Agents as mentioned in Section "Distribution of Prospectus and Share Application Forms" of this Prospectus, or copy of the application forms as advertised in the national newspapers should be prepared in 5 (five) copies. Applications which are not in compliance with these conditions shall not be entertained.

### **2. Acceptable Applicants:**

Acceptable applicants are individuals and/or entities as specified by the Minister of Finance of the Republic of Indonesia in his Decree No.859/KMK.01/1987 dated December 23, 1987 and No. 1055/KMK.013/1989 dated September 16, 1989 concerning purchase of Shares by foreign investors through the Capital Market.

### **3. Minimum Application:**

Applications must be made for a minimum of 100 shares and thereafter in multiples of 100,500 and 10,000 shares.

### **4. Submission:**

Before the close of the Offering Period, applications must be submitted during normal business hours to the Underwriters, Sub- Underwriters or authorized Selling Agents from whom the Share Application Forms were obtained.

### **5. Offering Period:**

The Offering Period commences on July 21, 1990, and closes on August 3, 1990 at 12:00 West Indonesian Time. The offering period can be closed at anytime if the total number of applications exceed the number of the offered shares, provided such offering period will not less than 3 (three) working days.

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## **6. Last Date of Allotment:**

The last date by which the Underwriters, Sub-Underwriters or authorized Selling Agents should notify the applicants on the number of allotted shares is August 13, 1990.

## **7. Special Application:**

Company's employees and Employee Cooperatives can submit their applications directly to the Company which entitled to a maximum allocation of 10% of the Offered Shares, and unnecessary to submit their applications to the Underwriters, Sub-Underwriters or authorized Selling Agents.

## **8. Terms of Payment:**

Payments must be made in cash, checks or bank drafts in Indonesian Rupiah to the Underwriters, Sub-Underwriters or authorized Selling Agents at the time of submission of the application forms. All bank and transfer charges must be paid by the applicants. All checks and bank drafts must be presented for payment immediately upon receipt. In the event that checks and bank drafts are not payable upon receipt, the applications will be rejected and cancelled. For special applications, payments shall be made directly to the Company.

## **9. Acknowledgement of Receipt of Application Forms:**

The Underwriters, Sub-Underwriters and authorized Selling Agents to whom the applications are submitted will give to the applicants a signed copy of the application form as evidence of receipt. Such receipt does not constitute a commitment to issue Shares to the applicants. For special applications, the receipt will be issued directly by the Company.

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## **10. Allotment of Shares:**

If the total number of Shares for which applications are made exceeds the number of Offered Shares, the basis for allotment will be determined by the Company and The Lead Managers, in such a manner that will ensure the widest participation in the ownership of the Shares. Applications for smaller numbers of shares will be given priority in the allotment and shall be allotted at least 100 (one hundred) Shares. In addition, allotment will be made on first come-first serve basis or based on a draw.

Allotment for special applications from Company employees and Employee Cooperatives shall not exceed 10% of the Offered Shares.

## **11. Cancellation of Public Offering:**

Prior to and during the Offering Period, the Company and the Lead Underwriters will have the right to cancel the Public Offering based on the relevant provisions contained in the Underwriting Agreement.

## **12. Refunds:**


If applications are rejected or accepted in part or in the event of cancellation of the Public Offering the repayment of monies or the balance as is appropriate will be refunded and affected by the Sub-Underwriters or authorized Selling Agents to whom the applications were submitted, not later than 4 (four) business days from the close of the Offering Period or after the cancellation day, as the case may be. interest payment is available for the delay such refunds.

Refunds are available for collection upon surrender of the relevant receipt of Share Application Forms. The applicants shall not pay any bank or transfer charges of the refunded money.

## **13. Delivery of Share Certificates or Collective Certificates:**

Not later than 12 (twelve) business days after the last date of allotment or at the latest 1 (one) business day before the listing date on the Stock Exchange in

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Indonesia, the shares certificates or collective certificates shall be made available. The delivery of these certificates shall be made by the Underwriters, Sub-Underwriters and authorized Selling Agents to whom the application forms were submitted. Such share or collective certificates can only be released upon surrender or presentation of the receipt of Share Application Forms. Delivery of share or collective certificates to special applicants will be made directly to the Company.

#### **14. Others:**

The Company and the Lead Managers will have the right to accept or reject in whole or in part any applications submitted. Multiple applications submitted in more than one Share Application Form will be treated as one applicant for allotment purposes.



**XIX.  
LIST OF  
INSTITUTIONS  
WHERE  
PROSPECTUS AND  
APPLICATION  
FORMS CAN BE  
OBTAINED**

**T**he Prospectus and Share Application Forms are available at the offices of the Underwriters, Sub-Underwriters and authorized Selling Agents whose names and addresses are provided below. Authorized Selling Agents are stock brokers and traders who are registered members of the Stock Exchange in Indonesia.

**1. LEAD UNDERWRITERS**

PT (Persero) Danareksa  
Gedung Danareksa  
Jl. Medan Merdeka Selatan No. 14, Jakarta  
Tel: 360408

PT Merchant Investment Corporation (Merincorp)  
Summitmas Tower, Floor 21  
Jl.Jend. Sudirman Kav. 61-62, Jakarta  
Tel: 5200808

PT Multinational Investment Corporation (Multicor)  
Wisma BCA, Floor 12  
Jl. Jend. Sudirman Kav.22-23  
Tel: 5781450

PT Surya Securities  
Jl. Tanah Abang II No.43  
Tel: 374648, 376662

PT Finconesia  
Summitmas Tower, Floor 5  
Jl. Jend. Sudirman Kav. 61-62, Jakarta  
Tel: 5781500

PT Indonesian Finance and Investment Company (IFI)  
Chase Plaza Floor 15  
Jl. Jend. Sudirman Kav.21, Jakarta  
Tel: 5700170, 5700148

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PT Lippin Securities  
Lippo Centre Floor 11  
Jl. Gatot Subroto Kav. 35-36, Jakarta  
Tel: 513886, 516767 Ext. 3200,3174 & 3173

Bank Pembangunan Indonesia (BAPINDO)  
Jl. R.P. Suroso No.2/4, Jakarta  
Tel: 321908

PT Wardley James Capel Indonesia  
Gedung Bina Mulia II Floor 5  
Jl. H.R. Rasuna Said Kav.11, Jakarta  
Tel: 5201919

PT Mitra Duta Sekuritas  
Jl. Kebon Sirih No.12, Jakarta  
Tel: 3800900

PT Private Development Finance Company of Indonesia (PDFCI)  
Jl. Abdul Muis No.60, Jakarta  
Tel: 366608

PT Danamon Securities  
Jl. Kebon Sirih No.15, Jakarta  
Tel: 3804800

PT Indocitra Securities  
Chase Plaza Floor 18  
Jl. Jend. Sudirman Kav. 21, Jakarta  
Tel: 3704350, 374380, 3704381

PT Indosurya  
Jl. Hayam Wuruk No.33QQ, Jakarta  
Tel: 358557, 358558, 358425, 358426, 358764

PT Indover Sekuritas Company  
Gedung Bina Mulia II, Floor 7  
Jl. H.R. Rasuna Said Kav.11, Jakarta  
Tel: 5201940

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PT Primarindo Securities  
Central Plaza, Ground Floor  
Jl. Jend. Sudirman Kav. 47-48, Jakarta  
Tel: 513884

PT Anekareksa Securities Corporation  
Chase Plaza, Floor 19  
Jl. Jend. Sudirman kav. 21, Jakarta  
Tel: 5701382, 5705042

PT Deemte Artadharma Sekuritas  
Wisma Dharmala Sakti, Floor 19  
Jl. Jend. Sudirman 32  
Tel: 543702

PT First Indonesian Finance & Investment Corporation (FICORINVEST)  
Ficorinvest Building  
Jl. H.R. Rasuna Said Kav. C-18, Jakarta  
Tel: 8298966, 8299025

PT Mutual International Finance Corporation (MIFC)  
Wisma Nusantara Floor 17  
Jl. M.H. Thamrin no.59, Jakarta  
Tel: 331108

PT Niki Asia Securindo  
Jl. Hayam Wuruk No.111 DM, Jakarta  
Tel: 678445

PT Pentasena Artha Sentosa  
Amex House Floor 2  
Jl. Melawai Raya No.7  
Kebayoran Baru, Jakarta Selatan  
Tel: 7205229, 7205230, 7205353

PT Pranti Ciptadhana Amerta Securities  
Gedung Bangun Cipta Floor 4  
Jl. Gatot Subroto No.54, Jakarta  
Tel: 5484943, 5484907 Ext. 418 & 419

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PT Dharmala Arta Sejahtera  
Kompleks Majapahit Permai Blok B No.101  
Jl. Majapahit Raya, Jakarta  
Tel: 341021, 341628, 343912, 343862

PT Panin Sekuritasindo  
Panin Bank Centre Ground Floor  
Jl. Jend. Sudirman (Senayan), Jakarta  
Tel: 7394545

### **3. AUTHORIZED SELLING AGENTS**

#### **a. STATE-OWNED BANKS**

Bank Bumi Daya  
Jl. Imam Bonjol No. 61, Jakarta  
Tel: 333721  
and its authorized branches

Bank BNI  
Jl. Jend. Sudirman Kav. 1, Jakarta  
Tel: 5701001 - 3  
and its authorized branches

Bank Dagang Negara  
Gedung Menara BDN  
Jl. Kebon Sirih No. 83, Jakarta  
Tel: 3800800  
and its authorized branches

Bank Rakyat Indonesia  
Gedung BRI  
Jl. Jend. Sudirman Kav. 42-43, Jakarta  
Tel: 587621, 587051  
and its authorized branches

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Bank Ekspor Impor Indonesia  
Jl. Lapangan Stasiun No.1, Jakarta  
Tel: 673122  
and its authorized branches

**b. PRIVATE BANKS**

PT. Bank Bali  
Jl. Hayam Wuruk No. 84-85, Jakarta  
Tel: 6498006

PT. Bank Buana Indonesia  
Jl. Asemka No. 32-35, Jakarta  
Tel: 672901, 672045

PT. Bank Central Asia  
Jl. Asemka No. 24-26, Jakarta  
Tel: 671482, 671771

PT. Bank Central Dagang  
Jl. K.H. Wahid Hasyim No. 174, Jakarta  
Tel: 331751, 361807

PT. Bank Dagang Nasional Indonesia  
Wisma Hayam Wuruk  
Jl. Hayam Wuruk No. 8, Jakarta  
Tel: 360211, 380568

PT. Bank Internasional Indonesia  
Jl. Ir. H. Juanda No. 37 - 38, Jakarta  
Tel: 377688, 3807575

PT. Bank Surya  
Kuningan Plaza - North Tower, Ground Floor  
Jl. HR Rasuna Said Kav. C 11-14, Jakarta 12940  
Tel: 5201445

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PT. Bank Summa  
Jl. Pintu Besar Selatan No. 75, Jakarta  
Tel: 675081

PT. Pan Indonesia Bank, Ltd.  
Gedung Panin, Ground Floor  
Jl. Jend. Sudirman, Senayan, Jakarta  
Tel: 7394545

PT. Bank Umum Nasional  
Jl. Prapatan No. 50, Jakarta  
Tel: 3806366, 3806367

PT. Bank South East Asia  
Jl. Asemka No. 16-17, Jakarta  
Tel: 672197, 672550

PT. Bank Harapan Sentosa  
Gajah Mada Plaza Ground Floor  
Jl. Gajah Mada No. 19-26, Jakarta  
Tel: 358270, 346147

PT. Lippo Bank  
Jl. HR Rasuna Said Kav. 8 - 10, Jakarta  
Telp.511186, 511130, 5207008

PT. Bank Niaga  
Jl. Thamrin No. 55, Jakarta  
Tel: 373647, 373651

PT. Overseas Express Bank  
Jl. Pecenongan No. 84, Jakarta  
Telp 358824, 358103

PT. Bank Umum Servitia  
Jl. Kopi No. 40-50, Jakarta  
Tel: 6901919

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PT. Bank Bumi Arta Indonesia  
Jl. ROA Malaka Selatan No.12-14, Jakarta  
Tel: 6902281

PT. Tiara Indonesia  
Jl. Batu Ceper No.36, Jakarta  
Tel: 360245, 360246, 3800487

Yama Bank  
Jl. Gereja Ayam No.11, Jakarta  
Tel: 366733

PT. Bank Perkembangan Asia  
Jl. Hayam Wuruk No.102, Jakarta  
Tel: 678091

PT. Bank Danamon Indonesia  
Jl. Kebon Sirih No. 15, Jakarta  
Tel: 3804800

PT. Jasa Jakarta  
Jl. Tiang Bendera No.26-28, Jakarta  
Tel: 6902611

PT. Tamara Commercial Bank  
Jl. Asemka No.31, Jakarta  
Tel: 678091

PT. Bank Pacific  
Jl. K.H. Samanhudi No.17-19, Jakarta  
Tel: 672197, 356003

PT. Unibank  
Jl. Hayam Wuruk No.12, Jakarta  
Tel: 6282033

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### **c. OTHER STOCK BROKERS AND TRADERS IN JAKARTA**

PT. Aksara Kencana  
Jl. Prapatan No. 20, Jakarta  
Tel: 348198

PT. Antar Dhanamasa  
Majapahit Permai Blok A/108  
Jl. Majapahit No. 22-24, Jakarta  
Tel: 345594, 345578

PT. Aperdi  
Gedung Bursa, Floor 3  
Jl. Medan Merdeka Selatan No. 14, Jakarta  
Tel: 353054, 365509 Pes. 184/187

PT. Adidhana Perdana  
Gedung Danareksa, Floor 2  
Jl. Medan Merdeka Selatan 13, Jakarta  
Tel: 362503, 362349

PT. Aneka Keloladana  
Mid. Plaza, Floor 8  
Jl. Jend. Sudirman Kav. 10-11, Jakarta  
Tel: 5780797

PT. Betamas Intimulia  
Jl. S. Parman Kav. 32-34, Jakarta  
Tel: 5601560, 5482308

PT. Borussia  
Jl. Usaha No. 31, Cawang, Jakarta  
Tel: 8092846

PT. Bahamas Sekurindo  
Menara BDN, Floor 10  
Jl. Kebon Sirih 83, Jakarta  
Tel: 3800353, 3800354, 328147, 328152



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PT. Bersepindo Utama  
Gedung Tifa, Floor 5  
Jl. Kuningan Barat No. 26, Jakarta  
Tel: 511373

PT. Bina Artha Parama  
Setiabudi Building 1, Floor 4  
Jl. HR Rasuna Said, Jakarta  
Tel: 5207538

PT. Bina Tata Laksana Pacific  
The Landmark Centre, Floor 23  
Jl. Jend. Sudirman Kav. 1, Jakarta  
Tel: 5780134, 5780514

PT. Amsindo Nusantara  
Jl. Jend. Gatot Subroto No. 177, Jakarta  
Tel: 8298750

PT. Citramas Sekurindo  
Wisma Metropolitan 1, Floor 11  
Jl. Jend. Sudirman Kav. 29, Jakarta  
Tel: 510609, 5207123

PT. Danatama Makmur  
Gedung Danareksa, Floor 2  
Jl. Medan Merdeka Selatan No. 13, Jakarta  
Tel: 3801928, 3801929

PT. Danaduta Indonesia  
Jl. Otto Iskandardinata No. 39, Jakarta  
Tel: 8193425, 8195566

PT. Danindo Masyarakat Amindita  
Jl. Majapahit No. 18-22, Jakarta  
Tel: 371121, 371252

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PT. Dayamulia Sekurindo  
Komp. Duta Anggada  
Jl. KH Zainul Arifin No. 74, Jakarta

PT. Dhanamas Buana Wirasta  
Gedung Bursa, Floor 3  
Jl. Medan Merdeka Selatan No. 14, Jakarta  
Tel: 365509 Pes. 181

PT. Dhanatunggal Utama  
Gedung Bursa, Floor 3  
Jl. Medan Merdeka Selatan No. 14, Jakarta  
Tel: 360408

PT. Dharmala Artha Sejahtera  
Komplek Majapahit Permai Blok B. No. 04-05-06  
Jl. Majapahit No.14, Jakarta  
Tel: 341021

PT. Deemte Artha Dharma  
Wisma Dharmala Sakti, Floor 19  
Jl. Jend. Sudirman No. 32, Jakarta  
Tel: 543702

PT. Eferindo Agung  
Gedung Bank Niaga, Floor 7  
Jl. MH Tahmrin No. 55, Jakarta  
Tel: 332007, 330507

PT. Erdhika Mulyatama  
Jl. Gajah Mada No. 184, Jakarta  
Tel: 6296208

PT. Finan Corpindo Nusa  
Wisma Antara, Floor 5  
Jl. Medan Merdeka Selatan 17, Jakarta  
Tel: 3483886, 343089

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PT. Harum Dana Sekuritas  
Gedung IRTI B-09  
Jl. Medan Merdeka Selatan No.14, Jakarta  
Tel: 3803595

PT. Intan Artha Exchange Co.  
Gedung Bursa, Floor 3  
Jl. Medan Merdeka Selatan No. 14, Jakarta  
Tel: 347958, 349002

PT. Muara Lentera Mitra  
Jl. Lautze 22 K, Jakarta  
Tel: 370910, 367821

PT. Multi Danamekar  
Jl. Tanah Abang II/43, Jakarta  
Tel: 374648, 376662

PT. Murni Segara Lestari  
Gedung Bursa, Floor 3  
Jl. Medan Merdeka Selatan No. 14, Jakarta  
Tel: 377149, 365509 Pes. 174

PT. Orientama Inti Securitas  
Jl. Gajah Mada 3 Blok A, Jakarta  
Tel: 374450

PT. Pratama Penaganartha  
Jl. Kemang Raya No. 98, Jakarta  
Tel: 7999844, 7980151, 7980152

PT. Prima Invesindo  
Jl. PLN Duren Tiga No. 387A, Jakarta  
Tel: 7981369, 7981370

PT. Prasasta Paperasia  
Gedung IRTI Floor 3  
Jl. Medan Merdeka Selatan, Jakarta  
Tel: 347831

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PT. Ramayana Artha Perkasa  
Kompleks Ketapang Indah Blok B3/ 19  
Jl. KH Zainul Arifin, Jakarta  
Tel: 6399535, 6283258, 6283257, 6596551

PT. Ravindo Securitama  
Wisma Antara Floor 14  
Jl. Medan Merdeka Selatan 17, Jakarta

PT. Rita Wijaya Kencana  
Jl. KH Wahid Hasyim 84-86, Jakarta  
Tel: 330180

PT. Sucorinvest Central Gani  
Komp. Duta Merlin Blok A-17  
Jl. Gajah Mada No. 3-5, Jakarta  
Tel: 375638

PT. Tripanca Mulia  
Jl. Tanah Abang IV No. 21, Jakarta  
Tel: 374383

PT. Tumora Tri Pratama  
Gedung Bursa, Floor 3  
Jl. Medan Merdeka Selatan No. 14, Jakarta  
Tel: 365509 Pes. 182

PT. Inti Fikasa Securindo  
Jl. Raya Mangga Besar No. 146, Jakarta

PT. Agridanasatya Permata  
Jl. Kali Besar Barat No.55 GG, Jakarta  
Tel: 6905219

PT. Agridinamika Griya Permata  
Kartika Plaza Hotel  
Jl. M.H. Thamrin No.10, Jakarta  
Tel: 320680

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PT Anugerah Securindo Indah  
Sabang Metropolitan Hotel Floor 1  
Jl. H. Agus Salim No.11, Jakarta  
Tel: 376237, 354031 Pes. 355

PT. Agung Cahaya Cendana  
Jl. P. Jayakarta No.2, Jakarta  
Tel: 6598355, 6598356

PT. Inter Komarta Jasa  
Gedung Bursa, Floor 3  
Jl. Medan Merdeka Selatan No.14, Jakarta  
Tel: 365509 Pes. 179

PT. Interindo Danapraya  
Jl. Kebon Jeruk VII/26, Jakarta  
Tel: 6698673

PT. Inti Securiti Investama  
Kompleks Duta Merlin Blok D8-10  
Jl. Gajah Mada No.3-5, Jakarta  
Tel: 350025

PT. Jasereh Utama  
Gedung Wisma Bank Industri  
Jl. M.H. Thamrin, Jakarta  
Tel: 3107917-20

PT. Kapita Sekurindo  
Kompleks Harmoni Plaza B25  
Jl. Suryopranoto No.2, Jakarta  
Tel: 342161, 342552

PT. Kolibindo Perkasa  
Enseval Building  
Jl. Letjen Suprpto, Jakarta  
Tel: 413908

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PT. Lumbung Persada Khatulistiwa  
Wisma Rajawali, Floor 7  
Jl. Jend. Sudirman NO.34, Jakarta  
Tel: 588965

PT. Makindo  
Gedung Bursa, Floor 3  
Jl. Medan Merdeka Selatan No.14, Jakarta  
Tel: 359707, 359927

PT. Mitra Duta Sekuritas  
Gedung Bank Duta  
Jl. Kebon Sirih No.12, Jakarta  
Tel: 3800900

PT. Mitra Tatadhana  
Gedung Bursa, Floor 3  
Jl. Medan Merdeka Selatan No.14, Jakarta  
Tel: 362481

PT. Natura Pacific  
Kebayoran Centre Blok B-8  
Jl. Kebayoran Baru, Jakarta

PT. Prima Invesindo  
Jl. PLN Duren Tiga No.387A, Jakarta  
Tel: 7981369, 7981370

PT. Pandurama Sekuritas  
Wisma Abadi  
Jl. Kiyai Caringin No.29-31 Blok B-1A, Jakarta  
Tel: 355479

PT. Primarindo Securitas  
Central Plaza, Ground Floor  
Jl. Jend. Sudirman Kav.47-48, Jakarta  
Tel: 513884

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PT. Pialang Jaya Utama  
Gedung Bursa, Floor 3  
Jl. Merdeka Selatan No.14, Jakarta

PT. Redialindo Mandiri  
Arthaloka Building, Floor 15  
Jl. Jen. Sudirman No.2, Jakarta  
Tel: 587236, 5704524

#### **4. BANKS IN SURABAYA**

Bank Pembangunan Daerah Jawa Timur  
Jl. Basuki Rahmat No. 98-194, Surabaya  
Tel: 510836

Bank Central Asia  
Jl. Tunjungan No.52, Surabaya  
Tel: 515500

Bank International Indonesia  
Jl. Jembatan Merah No. 3, Surabaya  
Tel: 20064, 30055, 20058

Bank Karman  
Jl. Kembang Jepun No. 180-184, Surabaya  
Tel: 25343, 25346

Bank Surya  
Jl. Coklat No.29 , Surabaya  
Tel: 20611, 26061, 26062

Pan Indonesia Bank  
Jl. Coklat No. 16, Surabaya  
Tel: 279141

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## **5. OTHER STOCK BROKERS AND TRADERS IN SURABAYA**

PT. Aperdi  
Jl. Jembatan Merah 19-23, Surabaya  
Tel: 22205

PT. (Persero) Danareksa (Perwakilan)  
Jl. Pemuda 27-31, Surabaya  
Tel: 510654

PT. Inti Teladan Swadaya  
Jl. Kedungdoro No. 102, Surabaya  
Tel: 427877

PT. Layang Mega  
Jl. Raya Darmo No. 232, Surabaya  
Tel: 67872, 87874, 66538

PT. Maksurindo  
Jl. Kedung Kinter V, No. 21, Surabaya

PT. Paramita Artha Pertiwi  
Wisma SIER Floor 2  
Jl. Rungkut Industri Raya No. 10, Surabaya  
Tel: 812981, 817681


Pusat Koperasi Unit Desa Dati I Jawa Timur  
Jl. Kemayoran Baru No.15, Surabaya  
Tel: 278394, 230117

PT. Pradana Interinvesindo  
Jl. Jaksa Agung Suprpto No.13, Surabaya  
Tel: 44684

PT. Panca Sumber Dhana Mandiri  
Gedung Perkantoran Medan Pemuda, Floor 14  
Jl. Pemuda No.27-31, Surabaya  
Tel: 67872, 67874, 66538, 68462



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PT. Sucorinvest Central Gani  
Jl. Pemuda No.112-114, Surabaya  
Tel: 41937, 471293

PT. Seruni Tunggal/Tjahyono  
Jl. Rungkut Industri III No. 5, Surabaya  
Tel: 595502, 595582

PT. Sumberartha Invesindo  
Jl. AIS Nasution No.33B, Surabaya  
Tel: 40919

PT. Surabaya Arthaselaras  
Jl. Lombok No.23, Surabaya  
Tel: 68276

PT. Tunasmulia Invesindokarsa  
Gedung Medan Pemuda, Floor 4  
Jl. Pemuda No.27-31, Surabaya  
Tel: 511949 Pes. 162-167, 278317-18, 270540