

PROSPECTUS

Licence from the Minister of
Finance of the Republic of Indonesia
Number : SI-093/SHM/MK.10/1990
Date : March 30, 1990

Offering Period: April 9th, 1990 - April 16th, 1990
Final Allotment Date : April 30, 1990
Date of Refund : May 4, 1990
Date of Listing on the
Indonesian Stock Exchange: May 21, 1990

P.T. PETROSEA

BUSINESS ACTIVITIES : CONSTRUCTION AND MINING SERVICES

Domiciled In Jakarta

Head Office

Jalan Ampera Raya No. 5

Cilandak, Jakarta Selatan 12560, Indonesia

Tel : 780 0618 Telex: 62977 PTPSIIA Fax: 780 0625

PUBLIC OFFERING

4,500,000 Common Shares with a Nominal Value of Rp. 1,000.- per share
Offering Price Rp. 9,500.- per share which should be fully paid
at the submission of Share Purchase Application Forms.

LEAD UNDERWRITERS

P.T. Multinational Finance Corporation (MULTICOR)

P.T. Jardine Fleming Nusantara Finance

P.T. Aseam Indonesia (ASEAM)

P.T. Indonesian Investments International (INDOVEST)

P.T. Inter-Pacific Financial Corporation (INTER-PACIFIC)

P.T. Merchant Investment Corporation (MERINCORP)

LEAD MANAGING UNDERWRITER

P.T. Multinational Finance Corporation (MULTICOR)

CO-UNDERWRITERS

P.T. Buanamas Investindo

P.T. Wardley James Capel Indonesia

P.T. Indonesian Finance and Investment Company (I.F.I.)

P.T. Deemte Artha Dharma

Bank Pembangunan Indonesia (BAPINDO)

P.T. Mutual International Finance Corporation (M.I.F.C.)

P.T. Benura Utama Securities Company

P.T. Duta Securinvest Indonesia

P.T. Mitra Dutrasekuritas

P.T. Pentasena Arthasentosa

PETROSEA

PT. Petrosea has submitted a Registration Statement in connection with this Public Offering to the Capital Market Executive Agency (BAPEPAM) in Jakarta, in accordance with the Decree of the Minister of Finance of the Republic of Indonesia No. 859/KMK.01/1987 article 4 section (1) dated December 23, 1987.

Listing of the shares that are currently offered is to be implemented on the Indonesian Stock Exchange.

PT. Petrosea accepts full responsibility for the accuracy of all information and truthfulness of opinions contained in this prospectus.

The parties involved in the Public Offering assume full responsibility for the truthfulness of the data presented in this prospectus according to their respective fields of expertise, based on the prevailing law, code of ethics and professional norms.

In connection with this Public Offering no party is allowed to make any statement concerning matters which are not included in this Prospectus without written consent from P.T. Petrosea and P.T. Multinational Finance Corporation (P.T. Multicor)

This English Prospectus is adapted from a Prospectus written in the Indonesian language which is deemed to be the governing document in the event of any dispute regarding the information contained herein.



Mobilisation of Petrosea Equipment

INTRODUCTION

PT. PETROSEA is an engineering, construction and mining services company with the capability to carry out major projects in all fields of engineering.

With an established record for performance and reliability, Petrosea is well placed to service the resource development of Indonesia. It has a team of long-term experienced personnel, a substantial fleet of heavy equipment, a proven operational logistics network and expert technical backup from its Parent Company.

P.T. Petrosea is a subsidiary of the Clough Engineering Group of Australia.

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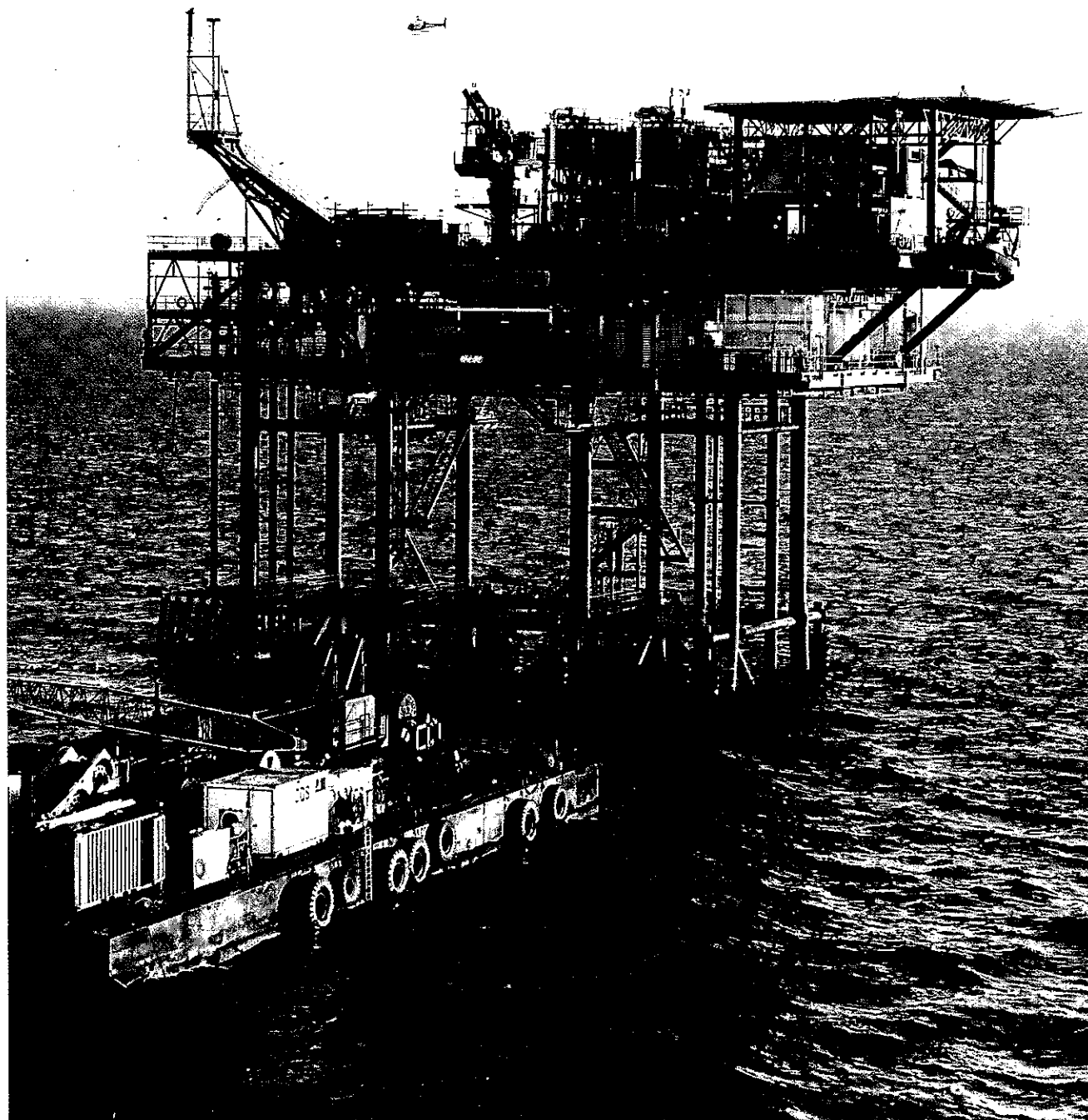
Petrosea Heavy Equipment.



PT Lusang Mining's Gold Treatment Plant Constructed by Petrosea



Petrosea Supply Base, Balikpapan



Bond Oil Offshore Production Platform Constructed by Clough

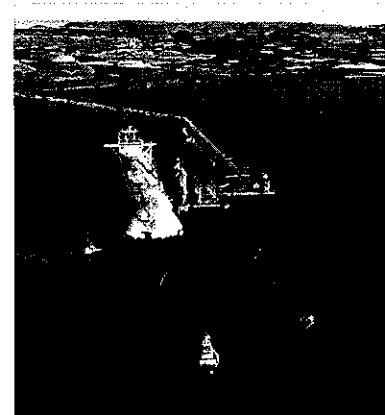
(Introduction continued).

Clough is a major multi-discipline engineering, construction, contracting and project management organization.

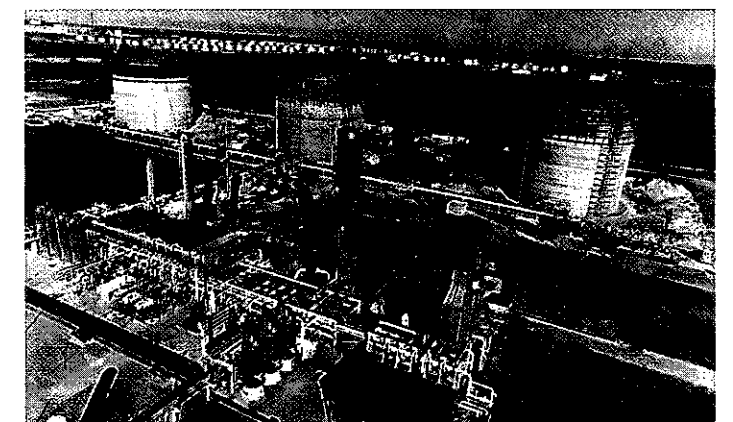
Founded in 1919, the Group is today one of the largest engineering and construction organizations in Australia. The Company is headquartered in Perth, Western Australia and has established offices throughout Australia and the Asia-Pacific region. Clough for many years has played a significant role in developing the infrastructure and resources in Australia, South East Asia and the Western Pacific region.

PT. Petrosea is well placed for its future development and expansion with the experience and resources available from the Parent Company.

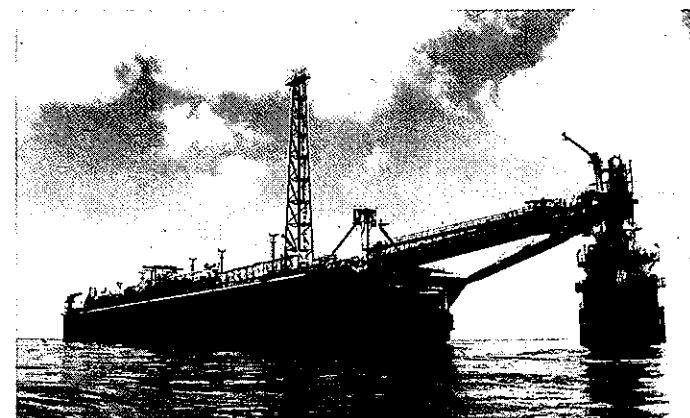
Petrosea looks to the future with optimism.



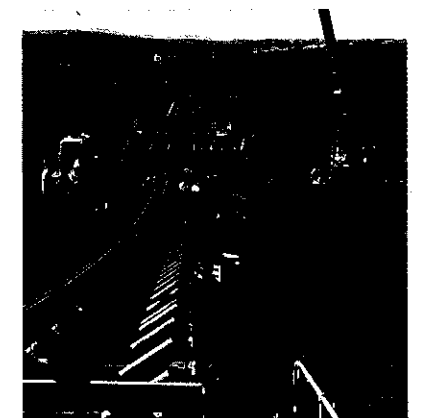
Woodside LNG jetty Constructed by Clough



Wesfarmers LPG Process Plant Constructed by Clough



B.H.P. Petroleum's Challis Field S.P.M. Installed by Clough



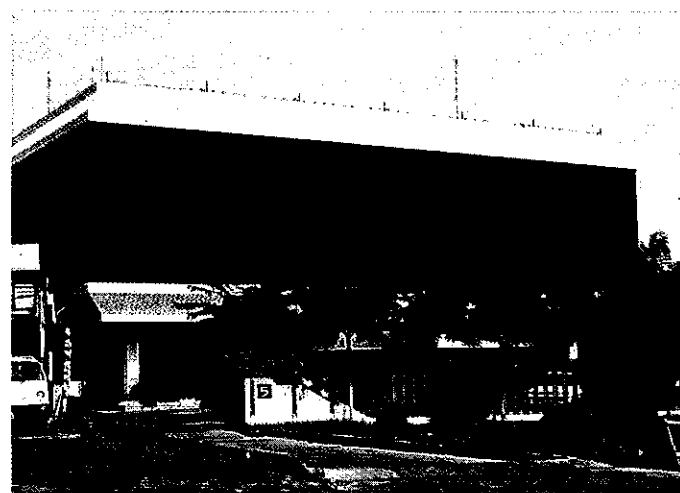
Hamersley Iron's Overland Conveyor Constructed by Clough



Reception Area



Computerised Accounting



Petrosea Head Office, Jakarta



Communications Room



Project Planning

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I. PUBLIC OFFERING

The Lead Underwriters, on behalf of P.T. Petrosea (hereinafter referred to as the "Company"), hereby perform the first Public Offering of 4,500,000 shares of Common Stock with a Nominal value of Rp. 1,000.- per share . The Offering price of the share is Rp.9,500.- per share.

P.T. PETROSEA

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Jalan Ampera Raya No. 5
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Tel : 780 0618 Telex: 62977 PTPSIIA Fax: 780 0625

The Company was founded by virtue of Notarial Deed number 75 dated February 21, 1972 drawn up in the presence of Mr. Djojo Muljadi SH, Public Notary in Jakarta and was approved by the Minister of Justice of the Republic of Indonesia in his Decree No. Y.A. 5/57/17, dated November 30, 1972 and registered at the Registrar Office of the Clerk of the District Court of Central Jakarta under No. 3236, dated December 7, 1972, and was published in Supplement No. 96 to the State Gazette of the Republic of Indonesia No. 12, dated February 9, 1973.

The Articles of Association of the Company were thereafter amended, the latest amendment concluded in the deed No. 74, dated March 15, 1990, drawn up in the presence of Mr. Amrul Partomuan Pohan SH, LLM., Public Notary in Jakarta and was approved by the Minister of Justice of the Republic of Indonesia in his Decree No. C2-1534.HT. 01.04.-TH.90, dated March 21, 1990, in which deed to amend the Articles of Association of the Company among others to amend the name of the Company and to increase the authorized capital of the Company.

In the Shareholders Meeting on September 21, 1989, the Shareholders of the Company resolved to increase the Company's authorized capital from Rp. 1,660,000,000.- to Rp. 13,500,000,000.-. The composition of the Company's Stock is as follows :

CAPITAL STOCKS Nominal Value Rp. 1,000.- per share

	Authorized Capital	Paid-up Capital	Shares offered to the Public
Number of Shares	13,500,000	9,000,000	4,500,000
Nominal Value (Rp)	13,500,000,000	9,000,000,000	4,500,000,000

The Company was granted permission to offer 4,500,000 shares which represent 33.33% of the Company's capital stocks from the Minister of Finance No. SI-093/SHM/MK.10/1990 Dated March 30, 1990. The Common Stock being offered consist of 4,500,000 totally new shares. The shares are identical to and will give the same rights and equal rank in all matters as the existing issued common shares of the Company.

The Shareholding structure before and after the Public Offering is as follows:

(in Millions)	BEFORE PUBLIC OFFERING			AFTER PUBLIC OFFERING		
	TOTAL SHARES	NOMINAL VALUE (Rp.)	%	TOTAL SHARES	NOMINAL VALUE (Rp.)	%
AUTHORIZED CAPITAL:	9.00	9,000	100.00	13.50	13,500	100.00
SUBSCRIBED AND PAID UP CAPITAL :						
- CLOUGH INTERNATIONAL LTD.	6.30	6,300	70.00	6.30	6,300	46.67
- Drs. HAJI UDAYA	2.70	2,700	30.00	2.70	2,700	20.00
- PUBLIC	-	-	-	4.50	4,500	33.33
TOTAL PAID UP CAPITAL	9.00	9,000	100.00	13.50	13,500	100.00
SHARES IN PORTFOLIO	0.00	0,000		0,00	0,000	

The Company does not plan to do a company listing on the Indonesian Stock Exchange outside of this Public Offering within 6 months after granted permission.



Remote Oil Drilling Site

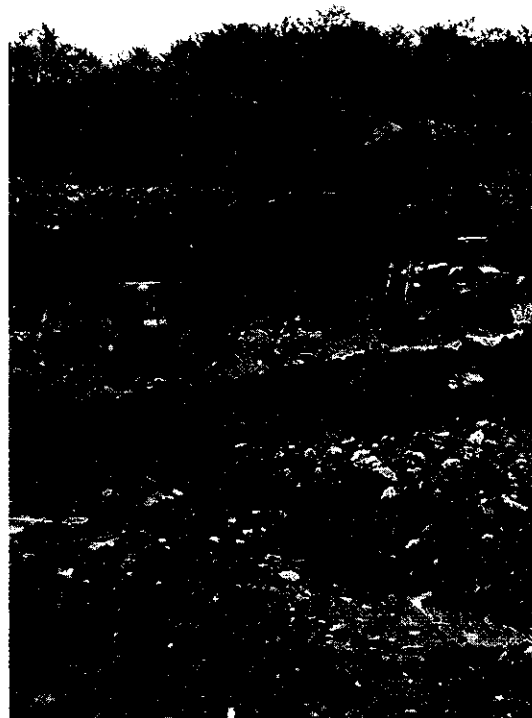
II. PURPOSE OF THE PUBLIC OFFERING

1. To further strengthen the Company's Balance Sheet in order to support future growth in construction and in oil & gas, coal mining and general mining services.
2. To broaden the scope of the Company's business activities into other fields such as:
 - resource development in coal, gold, and other minerals
 - industrial process engineering and construction
 - offshore construction and maintenance
 - tunnelling and underground mining
3. To purchase more heavy equipment in order to support the Company's activities.
4. To give an opportunity to the Public, both individuals and institutions, to participate in the ownership of the Company.
5. To support the Government's programme in developing the Capital Market.

III. USE OF THE PROCEEDS

The proceeds from this Public Offering will enable the Company to purchase more mining and construction plant and equipment, thereby increasing the Company's value.

- 45 % of the proceeds will be used to expand the Company's existing mining and construction operations and enable it to pursue new and expanded areas of operation and development.
- 25% will be used to retire loans partially in May 1990, and the rest within the following 15 months .
- 10% will be used by the company to expand into its own mineral resource development.
- 20% of the funds will be used to invest in new fixed assets of the Company and working capital.



Petrosea Heavy Equipment at D.M.H. Coal Mine, Bengkulu



Coal Processing at D.M.H. Mine



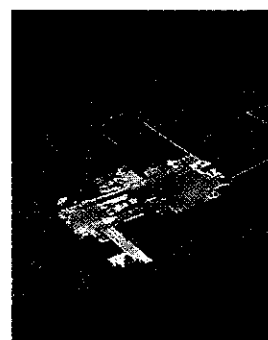
Petrosea Heavy Equipment at P.T. Koba Tin mine



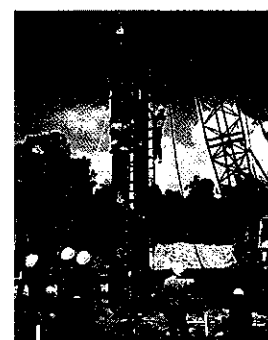
Petrosea Geologist



Equipment Inspection



Jungle Drilling Site Prepared by Petrosea



Pile Driving by Petrosea



Remote Site Mobilisation



Field Operations



Petrosea Surveyor

IV. INFORMATION ON THE COMPANY

1. Brief History

The Company, formerly known as P.T. PETROSEA INTERNATIONAL INDONESIA was licensed in 1972 by the Indonesian Government to operate in support of the mining and oil & gas industries in Indonesia. On the March 15, 1990 the name was changed to PT. PETROSEA by Notarial Deed No. 74 in front of Notary Amrul Partomuan Pohan SH, LLM of Jakarta.

During the seventies and early eighties Petrosea performed a wide range of operations including Heavy Equipment Rental, Marine Construction, Supply Base Construction and Operation, Earthworks and Civil Engineering, with inroads being made into the developing mining industry.

Petrosea in 1976, on Pertamina's behalf, pioneered and today still operates a Marine Facility and Supply base at Tanjung Batu, near Balikpapan, in East Kalimantan.

Since 1977, the Company has supplied a wide range of Mining and Engineering Services to P.T. Koba Tin at their Bangka Island mine. Petrosea has continued to provide and operate equipment required to mine, develop and maintain the operation on an ongoing basis.

Petrosea has expanded its operation since 1984 under the new ownership of the Clough Engineering Group. The input of additional experienced personnel has enabled improved standards of Management and Engineering to be applied. Substantial additional investment into new equipment has resulted in a modern plant fleet with improved performance and capacity.

In 1984, under the new management, all engineering and administrative activities were transferred from the previous office in Singapore to Jakarta. Jakarta is now the centre for project management, engineering, contracting and planning operations for Indonesia.

Today Petrosea has a number of long standing clients whose continuing business attests to Petrosea's reputation for quality and expertise (see page 16). Also the establishment of new client associations has opened up valuable areas of additional business in the region.

As part of its service to the oil & gas industry, Petrosea has developed a specialist expertise in the field of onshore drilling location site preparations. Clients such as SHELL, CONOCO, HUBBARD OIL, TOTAL and ESSO have had contracts completed in very challenging and remote locations.

Today Petrosea offers engineering construction, fully operated and maintained heavy equipment rental, marine and offshore construction and general contracting services to the mining, oil & gas and industrial process industries.

The key to Petrosea's successful operation is the people within the organization. Petrosea employs in excess of seven hundred personnel, of which many senior personnel have had more than 15 years experience with the Company. With the future expansion of activities the Company plans to increase its personnel to meet the envisaged growth.

Petrosea's extensive infrastructure provides clients with an experienced, reliable and comprehensive service, providing detailed logistical support, planning and equipment supply networks.

Petrosea is strategically placed in Indonesia with offices established in Jakarta, Balikpapan & Bengkulu and with a fully operational supply base, housing estate and workshop facilities in Balikpapan. A sister Company, Clough Petrosea Pte. Ltd., based in Singapore, provides a support service to the Indonesian operations.

2. Management

The Company is managed by Directors, under the supervision of a Board of Commissioners, whose members are elected through a Shareholder's meeting. Responsibilities and rights of the Directors and the Board of Commissioners are stipulated in the Company's Articles of Association. The structure of the Board of Commissioners and Directors at this moment is as follows:

Board of Commissioners :

Drs. Ben Mang Reng Say	- President Commissioner
W. Harold Clough	- Commissioner
Donald F. Young	- Commissioner

Directors:

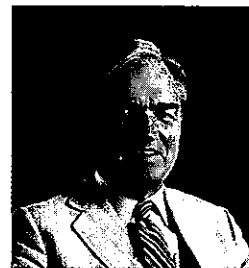
Peter J. Knight	- President Director
Robert Browning	- Director
Drs. Haji Udaya Sastradimedjo	- Director
Lindsay R. Courtis	- Director

The following is a brief resume of the individual members.

BOARD OF COMMISSIONERS:



Drs. Ben Mang Reng Say, 61, Indonesian Citizen, joined PT Petrosea in early 1982. Mr. SAY is an outstanding social and political figure in Indonesia, former Vice Chairman of DPRGR-RI, former Indonesian Ambassador to Portugal and Mexico, at present Vice Chairman of the Supreme Advisory Council (DPA-RI). In the field of education he was founder and for several years Rector of Atmadjaja University in Jakarta (from 1960 to 1971). Mr. Say was educated at Gajah Mada University, Jogjakarta in Social Political Science.



W. Harold Clough A.O., O.B.E., 63, Australian Citizen, is the principal shareholder of the Clough Engineering Group whose Head Office is in Perth, Western Australia. Following his graduation with a First Class Honours Degree in Engineering at the University of Western Australia, Mr. Clough was made a Fullbright Scholar. After obtaining a Masters of Science and Engineering at the University of California, Mr. Clough returned to Australia to develop his father's existing building company into the highly successful multi-discipline project management, engineering, construction and contracting group which currently operates throughout Australia and South East Asia. Mr. Clough is currently a Fellow of the Institution of Engineers Australia, a Fellow of the Australian Institute of Management, President of the Confederation of Western Australian Industry, and National President of the Australian Federation of Construction Contractors.

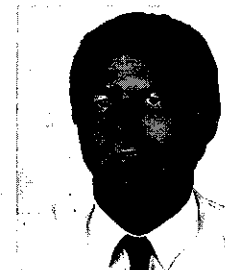


Donald F. Young, 57, Australian Citizen, joined Clough Engineering soon after he graduated with an Honours Degree in Civil Engineering from the University of Western Australia. He has worked on numerous major projects such as: freeways, bridges, industrial buildings, concrete construction and electronic communication systems, and currently is Director in charge of Western Australian Construction operations. He brings to the Company a wealth of experience and knowledge that can ensure all projects undertaken by the Company can be completed successfully and on time. He is a Fellow of the Institution of Engineers, Australia.

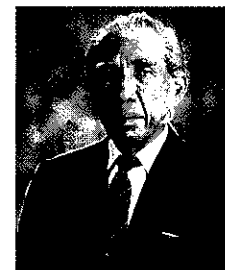
DIRECTORS :



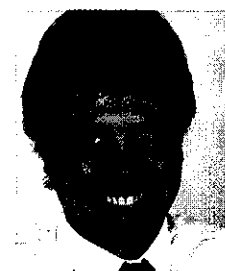
Peter J. Knight, 51, Australian Citizen, is currently Managing Director of the Clough Engineering Group and President Director of PT Petrosea. Prior to this he was Managing Director of the Clough Petrosea Group for five years before moving to Perth, Western Australia to take-up his new position. He is a frequent visitor to Indonesia, overseeing and monitoring all projects. He holds a Bachelor of Civil Engineering from the University of Western Australia (1960), is a Fellow of the Institution of Engineers, Australia and a Professional Engineer, British Columbia Canada.



Robert Browning, 45, Citizen of New Zealand, is currently Managing Director of the Company and resident in Jakarta. He has a Bachelor of Civil Engineering from the University of Canterbury, New Zealand (1967). His experience includes over 15 years with Clough Engineering and for five of those years was Manager directly responsible for all aspects of the Clough Group's operations in Queensland, Australia. Before coming to Indonesia his experience included periods in the other Australian states of Western Australia, New South Wales and the Northern Territory with also a period in New Zealand.



Drs. Haji Udaya Sastradimedjo, 64, Indonesian Citizen, has been active in the management of the Company since its inception in 1971. His distinguished career commenced as President of the Indonesian Student's Association (1945-1947) in Malang, followed by service in the Indonesian Student's Army (1947-1950). After studying at the Economic Faculty of the University of Indonesia he studied taxation in Holland. He is a Senior Lecturer of the Katholik Universitas in Bandung. Also head of an independent tax consultancy practise, his Financial and Administrative advise is constantly in demand.



Lindsay R. Courtis, 37, Australian Citizen, is currently the Engineering Manager of the Company. Following 10 years of experience with the Clough Engineering Group, he transferred to Indonesia in 1984 and has worked extensively on the project management and engineering of the Company's projects. He is responsible for the marketing of the Company's services to long standing and potential clients. He is a member of the Institute of Engineers, Australia and the Australian Management College Association. Graduating from the University of Western Australia with First Class Honours as a Civil Engineer (1975), Mr. Courtis's thesis topic was Scour Under Offshore Oil Rig Legs.

3. Employees

The Company's philosophy is to maintain an efficient, reliable and professional organization. This currently consists of over 750 employees, of which 30 are professionally qualified staff and the rest are technical staff. The Company structure is depicted in the organizational chart shown in the prospectus.

Staff development programmes are in place improving the quality and ability of the personnel. The Company regularly sends select staff members to participate in various in- house and external seminars, both in-country and overseas. The Company is involved with the local tertiary training of engineers by providing up to four engineering student scholarships each year to undergraduates at the Institut Teknologi Bandung in Indonesia. From these top students, the technical capability of Petrosea will be enhanced and future management expertise developed. The Company further insures its personnel through PT. ASTEK (Government Insurance Corporation)

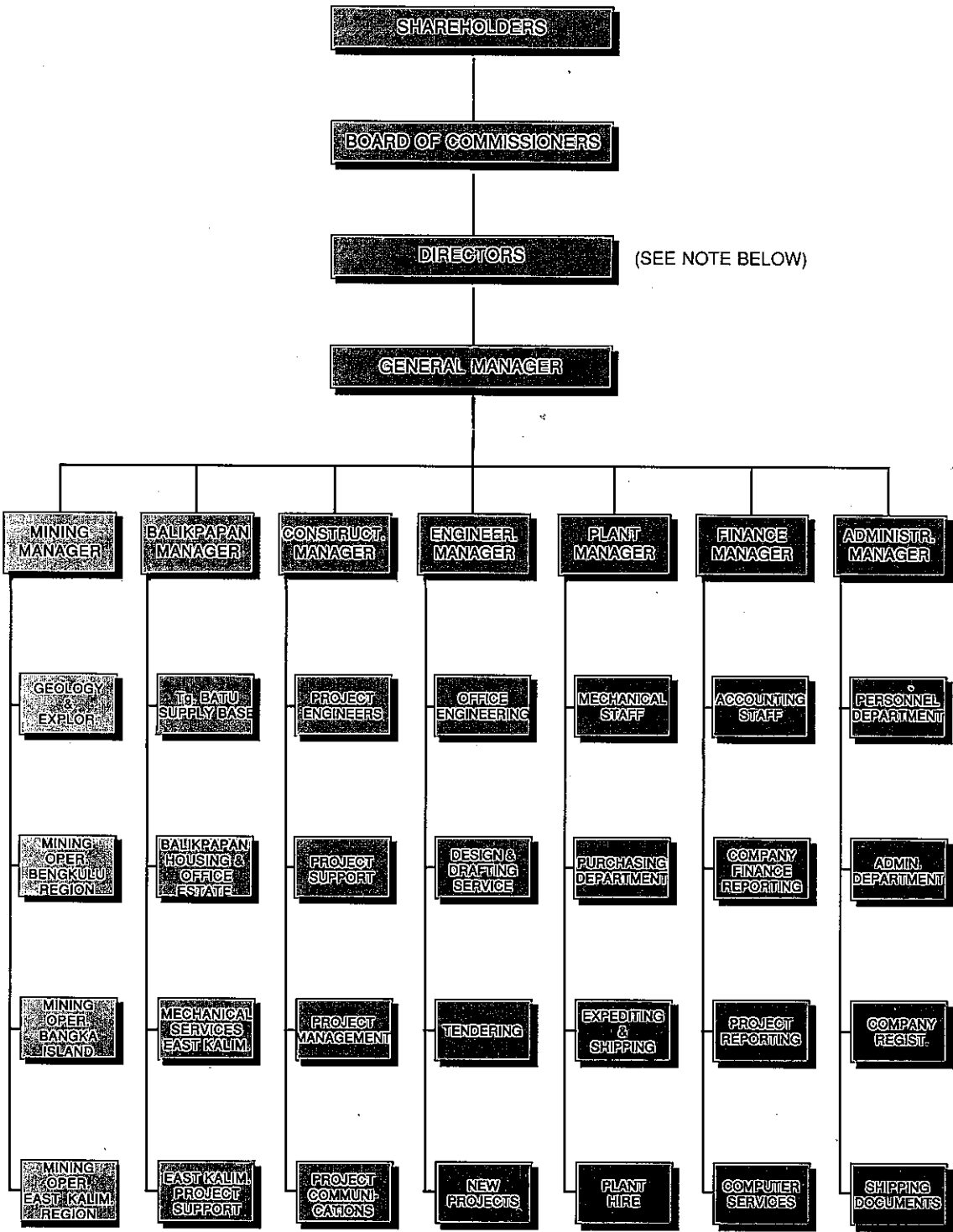
The composition of the employees and their qualifications are as follows:

Expatriate	17 persons
Indonesian	733 persons
	750 persons
Universities	20 persons
Academies	10 persons
High-schools	250 persons
Others	470 persons
	750 persons

Employee breakdown of the Company is as follows :

Management	20 persons
Administration	60 persons
Engineering Staff	30 persons
Site Supervision	50 persons
Tradesmen	165 persons
Equipment Operators	210 persons
Field Construction Personnel	215 persons
	750 persons

4. Organization Structure



Note : Directors consists of four Directors and any two can represent the Directors within and outside the Court.

5. Company Information

5.1. MAJOR CLIENTS

ARUTMIN	INCO
ASAMERA	INTERNATIONAL TIMBER CO
AMPALIT MAS PERDANA	INDOMURO KENCANA
BECHTEL	JAMBI SHELL BV
BHP INDONESIA	KUFPEC
BP PETROLEUM	KOBA TIN
BP MINERALS	KALTIM PRIMA COAL
BERAU COAL	KELIAN EQUATORIAL MINING
BALFOUR BEATTY SAKTI	KASONGAN BUMI KENCANA
BUKIT SUNUR	LUSANG MINING
BILLITTON	MOBIL OIL INDONESIA
BARISAN TROPICAL MINING	McDERMOTT
BARITO INTAN MAS	MINPROC
CONOCO INDONESIA	MEARES SOPUTAN MINING
CALTEX PACIFIC	MUYUP MAS MURNI
CSR PETROLEUM	OGSPIRAS BINA DRILLING
CITRA	PERTAMINA
DRESSER INDONESIA	PERUM BATUBARA
DRAVO PACIFIC	PRIMA LIRANG MINING
DANAU MASHITAM	PALMABIM DIAMOND MINING
DIMAS DRILLINDO	PETROLOG
DECORIENT	REPUBLIC OF INDONESIA
ESSO EXPLORATION & PRODUCTION	RICHTER DRILLING
ELF AQUITAINE INDONESIE	STANVAC
ELNUSA	SHELL OIL
FLUOR EASTERN INC	TOTAL INDONESIE
FORASAL SA	TESORO
GULF OIL	TEWITI
HUDBAY OIL (MALACCA STRAIT) LTD	UNOCAL
HUFFCO INDONESIA	YORK TOWN CORPORATION

5.2. OFFICES AND LOCATIONS

Jakarta - Head Office
Jalan Ampera Raya No. 5
Cilandak
Jakarta Selatan 12560, Indonesia
Telephone : 62 21 7800618
Facsimile : 62 21 7800625
Telex : 62977 PTPSI IA

Balikpapan - Branch Office
Jalan Jend. Sudirman No. 51
Balikpapan, East Kalimantan - Indonesia
Telephone : 62 542 23274
Facsimile : 62 542 23591
Telex : 37136 PTPSIBPP

Bengkulu - Branch Office
Jalan Mayjen S. Parman No. 40
Bengkulu, Indonesia
Telephone : 62 73631814

ASSOCIATED COMPANIES - (SOUTH EAST ASIA)

Singapore
Clough Petrosea Pte. Ltd.
21 Pandan Crescent
Singapore 0512
Telephone : 65 7752411
Metal Spraying : 65 7752412
Facsimile : 65 7780026
Telex : RS 21518 PSI

Hongkong
Clough International Limited
11 Pedder Street
2302-2304 Gloucester Tower
The Landmark, Hongkong
Telephone : 852 5 231174
Facsimile : 852 5 8452691
Telex : 86935 AIRTR HX

Guam
Clough HK Engineering Ltd
P.O. Box 11258, Tamuning, Guam 96911
Telephone : 671 6491237
Facsimile : 671 6496278

PARENT COMPANY - CLOUGH ENGINEERING GROUP

Head Office - Australia
Clough Engineering Group
251 St. George's Terrace
Perth, Western Australia, 6000
Telephone: 619 4268333
Facsimile : 619 3259352
Telex : AA92584 CLOUGH

Branch Offices - Australia
Melbourne
Sydney
Brisbane

Branch Office - Papua New Guinea
Port Moresby

6.1. continued

Oil & Gas Services

- drillsite preparation services
 - land based
 - heli - rig
- pipelines & flowlines
- roads & earthworks
- process plant construction
- logistical services
- rig transportation - land & sea
- marine structures
- offshore construction
- offshore flowline & pipeline installation
- helicopter hangers

General Civil Engineering

- roads
- bulk earthworks
- airfields & airports
- concrete works
- structural steel erection
- pipelines
- buildings
- electrical & mechanical installation
- wharves & jetties

Other Services

- logistic & material handling services
- supply operations
- design services
- heavy equipment rental
- geological investigation services

These projects are spread throughout Indonesia and highlight the Company's geographical capabilities and organizational skills required to complete such demanding works.

6.2. GENERAL POLICY

The Company has traditionally operated as a service organization to the mining and oil & gas industries. This service is still in place providing people and equipment on long term ongoing contracts to a wide range of major clients throughout Indonesia.

Much wider opportunities and growth prospects have been developed since the Clough Engineering Group takeover in 1984.

With the injection of Clough's skills and resources, the company's engineering, contracting and project development activities have been expanded. The development of the Company has seen the utilization of the Clough Groups experience which spans over the past 70 years, with involvement in all types of projects, including:

RESOURCES DEVELOPMENT : - salt, gypsum, iron, vanadium, gold, alumina, charcoal, oil and gas.

INFRASTRUCTURE DEVELOPMENT: - roads, bridges, ports, offshore oil production platforms, onshore & offshore pipelines, power stations, communications and many others.

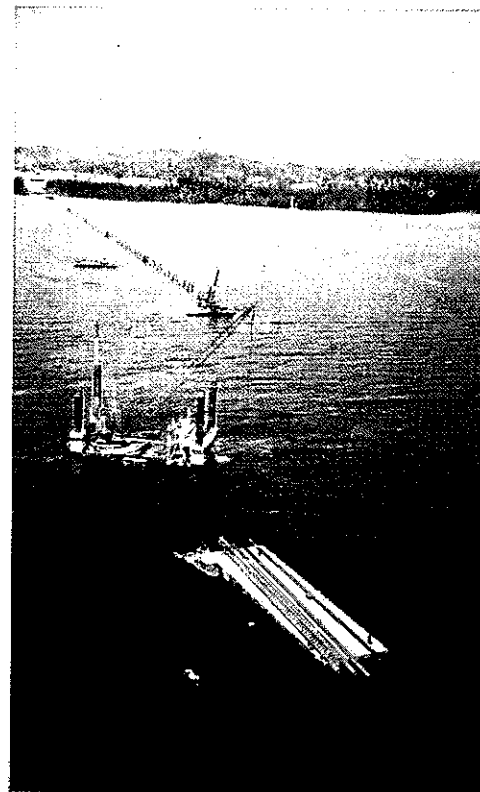
INDUSTRIAL DEVELOPMENT: - water treatment plants, ore treatment plants, breweries, brickworks, food processing plants, oil & gas process plants.

LAND AND PROPERTY DEVELOPMENT: - office buildings, industrial buildings, shopping centres, schools, and subdivisions.

Clough have been involved in all stages of development:

- The original concept.
- Feasibility studies
- Financial Packaging
- Designing and Estimating
- Construction and Commissioning
- Operation and Management

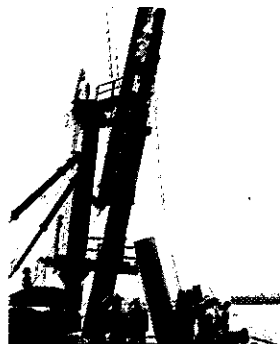
The Company is able to call on the Clough Group's expertise and resources and combine those with the traditional skills of the Company to develop it into a multi-disciplined project management, construction, engineering and contracting enterprise.



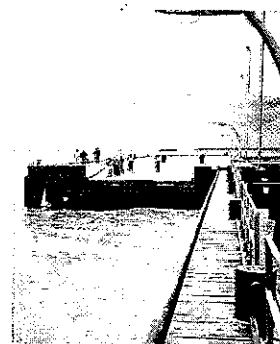
Kaltim Prima Coal jetty during Construction, Sangatta



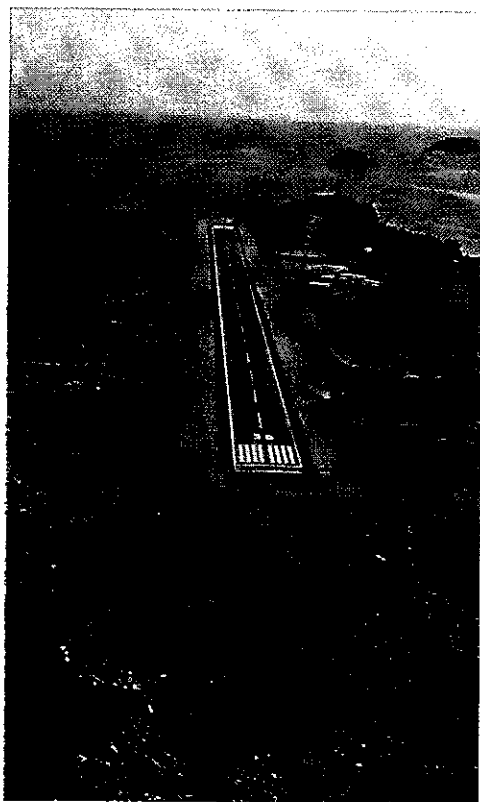
KPC Service Wharf, Sangatta



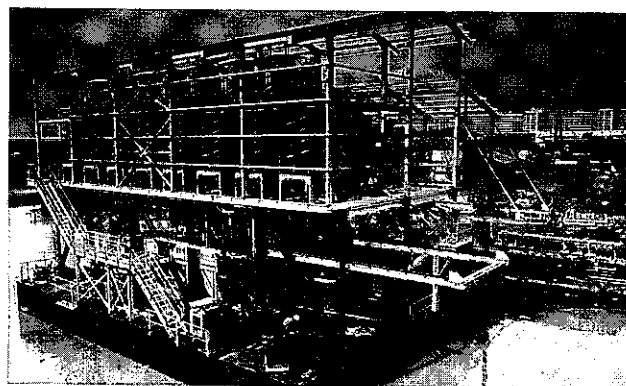
Offshore Pile driving



KPC Service Wharf, Sangatta



Matak Island Airstrip Constructed by Petrosea



Floating Gold Process Plant Construction

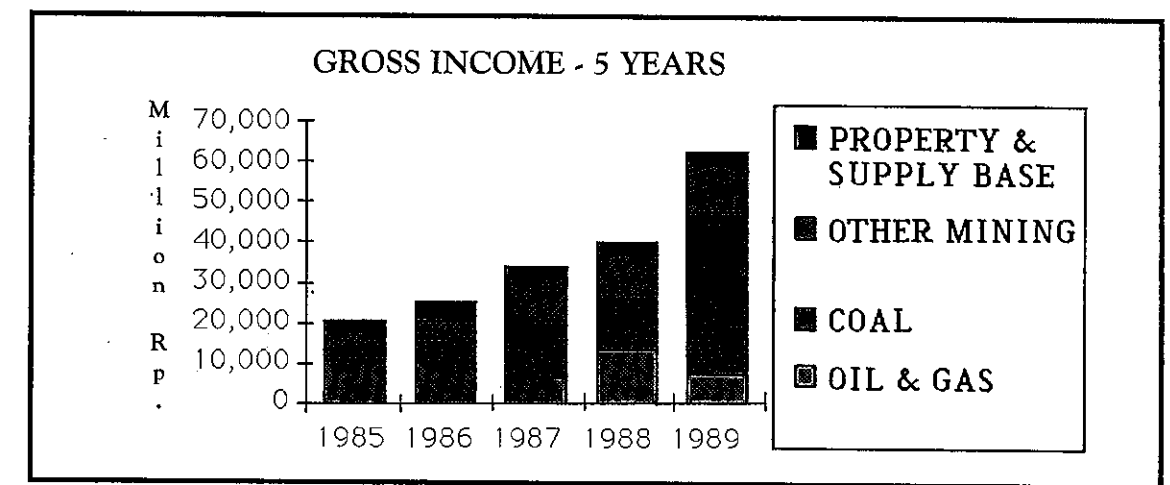


Concrete Foundations under Construction

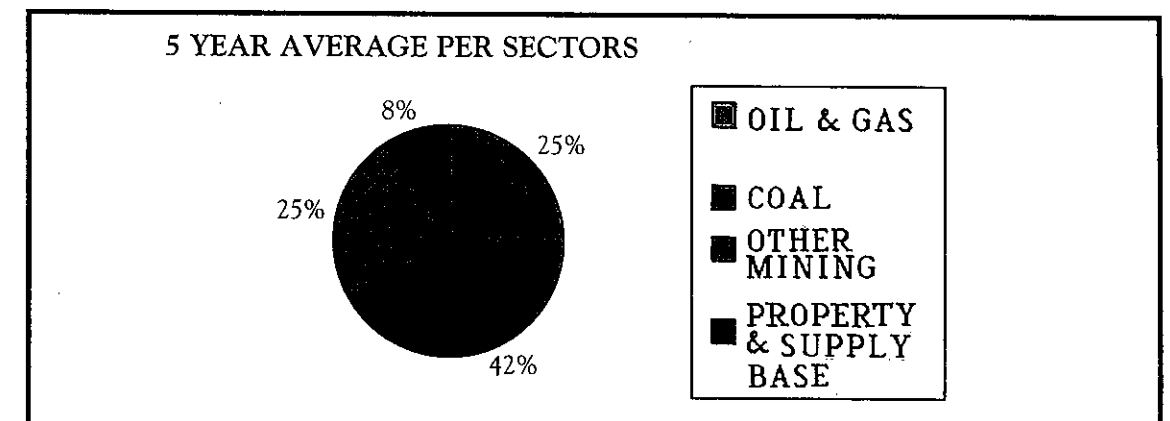
6.3. MARKET SECTORS

The chart below represents the gross income of the Company for the past five years analysed between the following market sectors :

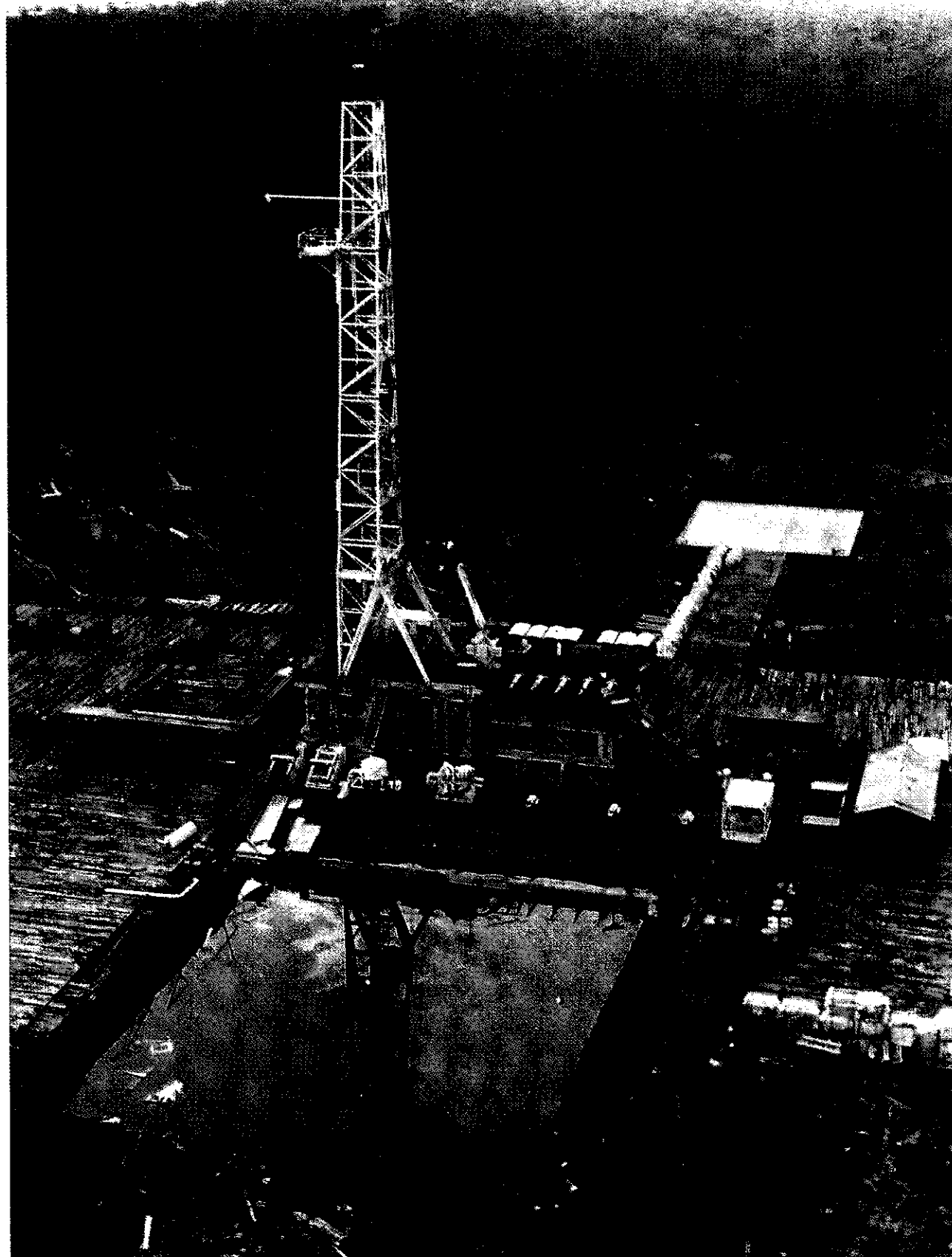
- Oil & Gas
- Coal Mining
- Tin, Gold & other Mineral Mining
- Property & Supply Base Activities



The activity in each market sector averaged over the past five years is summarised below:



Petrosea's market share in each sector is difficult to determine. The company estimates that in most key areas of activity in which it operates its market share is between 25% and 40% of work in those areas. Being multidisciplined and able to operate in all sectors of construction and resource development means that the company has the ability to both increase its market share as well as to be able to diversify into other market sectors.



Total Indonesia Drilling Location Constructed by Petrosea

6.4. TECHNICAL SUPPORT

In order to ensure the Company has ongoing and timely support for all aspects of its activities, the Company has obtained a technical service understanding with the Clough Engineering Group in the areas of engineering skill, innovations, specialized equipment, experienced personnel and financial backing if needed for the development of the Company in the future.

6.5. FUTURE PROSPECTS

The Company's future prospects and success will continue to rely on the general policy and work areas that have now been in operation for some time.

Additional prospects will arise from our Geological and Mineral Exploration Department, which in addition to supplying a service to clients, is enhancing the Company's own ability to develop and operate their own mining operations. Some excellent coal prospects in Sumatra have already been identified with significant coal reserves.

With the development of Indonesia's natural resources the Company is well placed in all aspects of engineering, construction and contracting to play a major part, not only in the mining and related industries, but also in the expanding onshore and offshore oil & gas process industries.



Petrosea Branch Office in Balikpapan



Petrosea Facilities at Kaltim Prima Coal, Sangatta



Petrosea Housing Complex, Balikpapan



Petrosea Site Office, Padang Island

V. FINANCIAL HIGHLIGHTS

COMPANY ASSETS

The Company has always had a strong Asset Base as indicated by the following summary:

(in Billion Rp.)	1985	1986	1987	1988	1989
Fixed Assets	8	8	10	16	20
Current Assets	9	11	14	15	22
Deferred Exchange Loss		4	2		
Total Assets	17	23	26	31	42
Less :					
Current Liabilities	6	7	10	9	18
Net Assets Represented by Shareholders Equity & Loans	11	16	16	22	24

Following is the summary of the audited report of the Company for the fiscal year ending on 31 December 1988 and 1989. These figures were taken from the audited statement which has been inspected by the Registered Public Accounting office of Drs. Hadi Sutanto, Correspondents of Price Waterhouse.

FINANCIAL HIGHLIGHTS

(In Million Rupiah)		
	12 months	
	ended 31 December 1989	ended 31 December 1988
Income	60,076	38,214
Net Profit before Tax	12,695	3,161
Net Profit	9,220	3,041
Current Assets	21,775	14,491
Fixed Assets	19,874	16,267
Total Assets	41,649	30,758
Current Liabilities	17,603	8,539
Shareholder's Loans	7,135	19,121
Total Liabilities	24,738	27,660
Shareholder's Equity	16,911	3,098
Earnings per shares	2,305	760

Financial Ratios Based on Audited Financial Figures

	31 Dec 1989	31 Dec 1988
Net Profit / Sales	15.35%	7.96%
Net Profit / Total Assets	22.14%	9.89%
Net Profit / Shareholder's Equity	54.52%	98.16%
Current Assets / Current Liabilities	123.70%	169.70%
Total Liabilities / Shareholder's Equity	146.28%	892.83%
Total Liabilities / Total Assets	59.40%	89.93%

VI. SHARE CAPITAL

The table below shows the development in Stockholders Equity for the financial years ended December 31, 1988, and 1989. The figures are extracted from the financial statements as audited by the Registered Public Accountants Office of Drs. Hadi Sutanto, Correspondents of Price Waterhouse.

(In Million Rupiah)		
	31 December 1989	31 December 1988
Paid-up Capital	1,660	1,660
Share Premium Reserve	872	872
Revaluation Reserve	1,575	1,575
Share Application Monies Received	4,593	-
Retained Earning (Deficit)	8,211	(1,009)
Total Shareholder's Equity	16,911	3,098

The Shareholders Meeting on March 15, 1990, which was stipulated in the Minutes of the Shareholders meeting drawn up by Public Notary A. Partomuan Pohan SH., LL.M., in Decree No. 74 dated March 15, 1990, amended the Articles of Association including Capital Restructuring and was Approved by the Minister of Justice by virtue of his Decree No. C2-1534.HT.01.04.TH.90 dated March 21, 1990.

The changes in the equity structure are as follows:

1. The Authorized Capital of the Company which was 4,000,000 shares with nominal value of Rp. 415.- per share is increased to 13,500,000 shares with nominal value of Rp. 1,000.- per share.
2. Increase the Subscribed Capital and Paid-up Capital before the Public Offering from Rp. 1,660,000,000. to Rp. 9,000,000,000. This increase of Rp. 7,340,000,000 is derived from the original 4,000,000 shares with nominal value of Rp. 415.- per share being increased to 9,000,000 shares with nominal value of Rp. 1,000.- per share as follows :

a. Issued and paid up Capital at 31 Dec. 1989	1,660,000,000
b. Capitalization of Share Premium Reserve	871,500,000
c. Capitalization of Assets Revaluation	1,575,400,000
d. Additional paid up capital from Shareholders	4,893,100,000

Total before Public Offer	Rp. 9,000,000,000
---------------------------	-------------------

3. Agreed to issue 4,500,000 new shares with a nominal value of Rp. 1,000.- to the public which originate from:

Paid-up capital of the Shareholders totaling Rp. 4,500,000,000.- that consist of 4,500,000 shares @ Rp. 1,000.- per share.

Therefore after the Public Offering, the Public will own 33.33% from the Company's total shares.

Assuming that the above changes in share capital and the offer to the public of 4,500,000 shares at a nominal value of Rp. 1,000.- per share and offering price of Rp. 9,500.- per share had taken place on Dec. 31, 1989, the proforma structure of stockholder's equity on that date would be as follows :

PROFORMA EQUITY STRUCTURE 31 DECEMBER, 1989.

(In Million Rupiah)						
	Share Capital	Share Prem.	Revaluation Assets	Sh, Appl. Mon. Rec.	Retained Earnings	Stockholder Equity
Financial Position at 31 December 1989 :	1,660	872	1,575	4,593	8,211	16,911
Changes in Equity Structure 31 December 1989:						
- Capitalization Share Premium	872	(872)	-	-	-	-
- Capitalization Assets Revaluation	1,575	-	(1,575)	-	-	-
- Capital Injection	4,893	-	-	(4,593)	-	300
Proforma on 31 December 1989 before Public Offering	9,000	-	-	-	8,211	17,211
Shares Offered to the Public	4,500	38,250	-	-	-	42,750
Proforma on 31 December 1989 After Public Offering	13,500	38,250	-	-	8,211	59,961

VII. DIVIDEND POLICY

The Company policy will be to pay a dividend once per year in cash. The amount of the dividend will be subject to shareholders approval. It is hoped to pay a dividend at rates of after tax profits equivalent to those set out below, however the final amount of dividend to be paid will be contingent on the level of the Company profitability during the corresponding year and with due consideration of the soundness of its financial condition and future expansion plans.

Profit After Tax	Dividend
1. Rp 1 Billion up to 10 Billion	20% - 30%
2. More than 10 Billion	30% - 40%

VIII. APPLICATION PROCEDURE

1. Share Purchase

Applications must be made in accordance with the conditions contained in Share Application Forms. These forms can be obtained from the offices of the Lead Underwriters and authorized Sales Agents, i.e. Security Brokers who are members of the Indonesian Stock Exchange as listed in the last Chapter of this prospectus.

Share Purchase Applications may be lodged using Share Application Forms issued by the Underwriters or photocopies of these forms, including photocopies of Share Purchase Application Forms as published in advertisements, of which 5 (five) copies must be made.

Applications made in deviation of these conditions shall not be entertained.

2. Acceptable Applicants

Persons and/or Institutions/Business Entities as provided for under the Decree of the Minister of Finance of the Republic of Indonesia No. 859/KMK.01/1987 dated December 23, 1987 and the Decree of the Minister of Finance of the Republic of Indonesia No. 1055/KMK.013/1989 dated September 16, 1989, concerning share applications by foreign investors through the capital market.

3. Amount of Shares applied

Share Purchase Application shall be made in amounts of at least 100 shares and in multiples of 100 shares thereafter.

4. Submission of Share Purchase Applications

Share Purchase Applications shall be submitted during normal business hours prior to the closure of the Public Offering to the Underwriters or Selling Agents at which Share Purchase Application Forms may be obtained.

5. Offering Period

The Offering Period shall begin on April 9th, 1990 and ends on April 16th, 1990 at 12:00 hours Western Indonesian Time.

6. Last date allotment

The last date by which the Underwriters and the Company's Boards determined the allotment of shares for each application is April 30, 1990.

7. Special Applications:

Applications by Company employees may be lodged directly with the Company without the services of the Underwriters or Sales Agents.

8. Terms of Payments

Payment shall be effected in cash by cheque or Bank transfer in the Rupiah currency and shall be paid to the Underwriters or Selling Agent at the time Share Application Forms are submitted. All bank charges and transfer fees in connection with these payments shall be borne by the applicants. Cheques and bank drafts will be immediately cashed upon receipt. In the event that cheques or bank drafts are rejected by the Bank at the time of cashing, the related Share Purchase Application will be considered void and cancelled.

For Special Applications, payments shall be made directly to the Company.

9. Proof of receipt

The Underwriters and Sales Agents accepting the Share Purchase Application shall provide the Applicants with a copy of the Share Purchase Application Form or the fifth photocopy of the Share Purchase Application Form bearing an original signature as Proof of Receipt of the Share Purchase Application Form. The Proof of Receipt of the Share Purchase Application Forms do not constitute a guarantee that the application will be granted. In the case of special Applicants, the Proof of Receipt of the Share Purchase Application Form shall be provided directly by the Company.

10. Share Allotment

If the number of Share Purchase Applications exceeds the number of shares being offered, the allotment shall be determined by the Company together with the Lead Managing Underwriter in such a manner as to ensure the wide distribution of Share Purchase ownership. Priority shall be given to Share Purchase purchases in small amounts, and each Share Purchase application shall be allotted at least 1(one) share. Special allotment for employees of the Company will be determined not to exceed 10% from Total Share Issue.

11. Cancellation of the Public Offering

Prior to and during the Offering Period, the Company and the Lead Underwriter shall have the right to cancel the Public Offering pursuant to the articles contained in the Underwriting Agreement.

12. Refunds

In the event that an application is refused in part or in whole, or the Public Offering is cancelled, refunds in the Rupiah currency shall be effected by the Underwriters or Sales Agents at the place where the Share Application Form in question was first obtained. This refund shall be effected no later than 4 (four) business days after the Last date of Allotment or the date of announcement of cancellation.

Refunds may only be collected upon surrender/presentation of the relevant receipt of the Share Application Form. The Applicant shall not be charged any bank or transfer charges for the money refunded. In the case of Special Applications, refunds shall be arranged and effected directly by the Company.

13. Delivery of Share Certificates or Collective Certificates

No later than 12 (twelve) business days after the Last date of Allotment or no later than 1 (one) stock exchange business day prior to the date of Listing Share Certificates /Collective Certificates in the allotted amounts shall be made available for each owner. The Share Certificates/Collective Certificates shall be handed over by the Underwriter or Sales Agent at the place in which the Share Application Form was originally submitted.

Share Certificates/Collective Certificates may only be collected upon presentation of the Proof of Receipt of the Share Application Form. The Share Certificates/Collective Certificates belonging to Special Applicants shall be handed over directly by the Company.

14. Others

The Underwriters and the Share Issuer are entitled to accept or refuse a Share Purchase Application in whole or in part.

Multiple applications submitted using more than one form shall be treated as a single application for allotment purposes.

IX. SECURITY ISSUE UNDERWRITING

In conformity with the condition incorporated in the Agreement of Security Issue Underwriting, and in the Agreement among the Security Issue Underwriters dated March 22, 1990, the Underwriters whose names are listed below have agreed, individually as well as jointly, to fully underwrite the issue of 4,500,000 common shares of the Company in this Public Offering.

Lead Underwriters:

P.T. Multinational Finance Corporation (MULTICOR)
P.T. Jardine Fleming Nusantara Finance
P.T. Aseam Indonesia (ASEAM)
P.T. Indonesian Investments International (INDOVEST)
P.T. Inter-Pacific Financial Corporation (INTER-PACIFIC)
P.T. Merchant Investment Corporation (MERINCORP)

Lead Managing Underwriter :

P.T. Multinational Finance Corporation (MULTICOR)

Co-Underwriters:

P.T. Buanamas Investindo
P.T. Wardley James Capel Indonesia
P.T. Indonesian Finance and Investment Company (I.F.I.)
P.T. Deemte Artha Dharma
Bank Pembangunan Indonesia (BAPINDO)
P.T. Mutual International Finance Corporation (M.I.F.C.)
P.T. Benura Utama Securities Company
P.T. Duta Securinvest Indonesia
P.T. Mitra Dutrasekuritas
P.T. Pentasena Arthasentosa

X. PARTIES INVOLVED IN THE PUBLIC OFFERING

In addition to the Lead Managing Underwriter and Lead Underwriters, the following parties are involved in this Public Offering:

Public Accountant : Kantor Akuntan
Drs. Hadi Sutanto
Correspondents of Price Waterhouse
Ficorinvest Building
Jl. H.R. Rasuna Said Kav. C-18
Kuningan, Jakarta Selatan 12950

Public Notary : A. Partomuan Pohan SH. LLM
Jl. Cikajang No. 14
Kebayoran Baru
Jakarta Selatan

Legal Advisor to the Company : Mochtar, Karuwin & Komar
Wisma Metropolitan II, Lt. 14
Jl. Jend. Sudirman Kav. 31
Jakarta 12920

Appraisal Companies : PT. Sarana Penilai
Appraisal Centre
Appraisal Specialists & Property
Consultants
Jl. Hos. Cokroaminoto 117
Jakarta Pusat

P.T. Colliers Utaba Indo
Property Consultants
S. Widjojo Centre Lt. 3
Jl. Jend. Sudirman Kav. 71
Jakarta 12190

XI. FINANCIAL STATEMENTS

PT PETROSEA
(Formerly PT Petrosea International Indonesia)

FINANCIAL STATEMENTS
AT 31 DECEMBER 1989 AND 1988

I N D E X

SCHEDULE

Auditors' report to the shareholders and board of directors	
Balance sheets	1
Statements of profit and loss and retained earnings	2
Statements of changes in financial position	3
Notes to financial statements	4/1 to 4/15

Drs. Hadi Sutanto



AUDITORS' REPORT
TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF
PT PETROSEA
(Formerly PT Petrosea International Indonesia)

1. We have examined the balance sheet of PT Petrosea at 31 December 1989 and restated balance sheet at 31 December 1988, statement of profit and loss and retained earnings (accumulated deficit) and statement of changes in financial position for the year ended 31 December 1989 and the restated statements for the year ended 31 December 1988. Our examinations were 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.
2. Prior to this report, for the reasons stated in note 19(a), we have issued a qualified audit report on the financial statements for the year ended 31 December 1988 dated 1 March 1989.

The company has restated its financial statements for the year ended 31 December 1988 due to the following :

- (a) As disclosed in Note 19(a) to the financial statements, the company in restated 1988 financial statements has recorded share capital and fixed assets in accordance with generally accepted accounting principles in Indonesia.
- (b) As disclosed in Note 19(b) to the financial statements, the company in 1988 changed its accounting policy for exchange losses arising on the 1986 Rupiah devaluation. The cumulative effect of the accounting changes has been included in the restated statements of profit and loss for the year ended 31 December 1988.
- (c) As disclosed in Note 19(c) to the financial statements, in preparing restated financial statements the company booked the net surplus of Rp1,575,489,053 arising on revaluation of fixed assets in accordance with Government Regulation of Republic of Indonesia No.45 of 1986.

3. In our opinion, the financial statements set out on schedules 1 to 4 present fairly the financial position of PT Petrosea at 31 December 1989 and 31 December 1988 and the results of its operations and changes in financial position for the years ended 31 December 1989 and 31 December 1988 in conformity with generally accepted accounting principles in Indonesia consistently applied after restatement of the 1988 financial statements as noted in paragraph 2 with which we concur.

Hadi Sutanto

Drs. Hadi Sutanto
Registered Accountant No.D-11

JAKARTA
23 March 1990

Schedule 1

PT PETROSEA
(Formerly PT Petrosea International Indonesia)

BALANCE SHEETS
AS AT 31 DECEMBER 1989 AND 31 DECEMBER 1988
(In Rupiah Million)

	Notes	31 December			Notes	31 December	
		1989	1988			1989	1988
ASSETS				LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT ASSETS				CURRENT LIABILITIES			
Cash on hand and in bank		2,146	850	Trade accounts payable		3,142	1,801
Time deposit	93	428		Accruals	8	2,998	2,609
Trade receivables				Other payables	9	1,391	187
- Net of provision for doubtful accounts of Rp.Nil in 1989 and 1988	3	10,253	6,996	Income billed in advance		2,977	1,308
Income earned not billed		3,222	1,655	Income tax payable	17(a)	3,475	120
Other receivables	4	193	297	Due to parent company	11	46	13
Advances and deposits to third parties		264	330	Bank loans	10	3,574	2,501
Inventories	5	3,091	1,875				
Prepayments	6	2,513	2,060				
		21,775	14,491			17,603	8,539
FIXED ASSETS				NON CURRENT LIABILITIES			
Cost	7	35,928	28,156	Shareholder's loans	12	7,135	19,121
Accumulated depreciation	7	16,054	11,889				
		19,874	16,267				
				SHAREHOLDERS' EQUITY			
				Share capital			
				Authorised, issued and fully paid 4,000,000 Common shares of Rp.415 each (US\$.1)	13	1,660	1,660
				Share premium	13	872	872
				Unrealised capital			
				Asset revaluation reserve	19(c)	1,575	1,575
				Additional paid in capital			
				Share application monies received	13	4,593	-
				Retained earnings(deficit)		8,211	(1,009)
						16,911	3,098
TOTAL ASSETS		41,649	30,758	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		41,649	30,758

The notes on schedule 4 form an integral part of these financial statements

Schedule 2

PT PETROSEA
(Formerly PT Petrosea International Indonesia)

STATEMENTS OF PROFIT AND LOSS AND RETAINED EARNINGS (ACCUMULATED DEFICIT)
FOR THE YEARS ENDED 31 DECEMBER 1989 AND 1988
(In Rupiah Million)

	Notes	31 December	
		1989	1988
INCOME	2(f);14	60,076	38,214
DIRECT COSTS	15	45,101	31,906
GROSS PROFIT		14,975	6,308
INDIRECT COSTS	16	2,041	1,351
		12,934	4,957
OTHER EXPENSES/INCOME			
Interest expense		351	85
Exchange losses		30	449
Gain on sale of fixed assets		(142)	(280)
Total other expenses/(Income)		239	254
PROFIT BEFORE CUMMULATIVE EFFECT OF CHANGES IN ACCOUNTING POLICIES		12,695	4,703
CUMMULATIVE EFFECT OF CHANGES IN ACCOUNTING POLICIES	19(b)	-	1,542
PROFIT BEFORE CORPORATE INCOME TAX		12,695	3,161
CORPORATE INCOME TAX	17(a)	3,475	120
NET PROFIT		9,220	3,041
(ACCUMULATED DEFICIT) AT BEGINNING OF PERIOD		(1,009)	(4,050)
RETAINED EARNINGS/ (ACCUMULATED DEFICIT) AT END OF PERIOD		8,211	(1,009)
NUMBER OF SHARES (MILLION)		4	4
EARNINGS PER SHARE (RUPIAH)	2(j)	2,305	760

The notes on schedule 4 form an integral part of these financial statements

PT PETROSEA
(Formerly PT Petrosea International Indonesia)

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED 31 DECEMBER 1989 AND 1988
(In Rupiah Million)

	31 December	
	1989	1988
SOURCE OF FUNDS		
Operations		
Profit for the period	9,220	3,041
Add/(deduct) items not involving the outlay of funds :		
Depreciation of fixed assets	4,935	3,443
Gain on sale of fixed assets	(142)	(280)
Cummulative effect of changes in accounting policies	-	1,542
	14,013	7,746
Other Sources		
Share application monies received	4,593	-
Shareholder's loans	-	4,021
Proceeds from sale of fixed assets	267	445
	18,873	12,212
APPLICATION OF FUNDS		
Acquisition of fixed assets	8,667	9,460
Shareholder's loans	11,986	-
	20,653	9,460
INCREASE/(DECREASE) IN WORKING CAPITAL	(1,780)	2,752

The notes on schedule 4 form an integral part of these financial statements

PT PETROSEA
(Formerly PT Petrosea International Indonesia)

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED 31 DECEMBER 1989 AND 1988
(In Rupiah Million)

	31 December	
	1989	1988
CHANGES IN WORKING CAPITAL		
Increase/(decrease) in current assets:		
Cash on hand and in bank	1,296	(326)
Time deposit	(335)	58
Trade receivables	3,257	(810)
Income earned not billed	1,567	584
Other receivables	(104)	211
Advances and deposits to third parties	(66)	241
Inventories	1,216	(13)
Prepayments	453	608
	7,284	553
(Increase)/decrease in current liabilities :		
Trade accounts payable	(1,341)	(235)
Accruals	(389)	363
Other payables	(1,204)	410
Income billed in advance	(1,669)	(1,007)
Income tax payable	(3,355)	(120)
Due to parent company	(33)	686
Bank loans	(1,073)	2,102
	(9,064)	2,199
Increase/(decrease) in working capital	(1,780)	2,752

The notes on schedule 4 form an integral part of these financial statements

PT PETROSEA

(Formerly PT Petrosea International Indonesia)

**NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 1989 AND 1988
(In Rupiah Million)****1. GENERAL**

The company was established under Notarial Deed dated 2 February 1972 of Notary Public Djojo Muljadi LLM in Jakarta, under the foreign capital investment law of 1967. Articles of Association of the company have been amended several times, the latest being contained in Notarial Deed No.74 dated 15 March 1990, of Notary Public A. Partomuan Pohan SH.LLM., Notary in Jakarta which has been approved by the Minister of Justice of the Republic of Indonesia on 21 March 1990 (Refer to Note 20).

The company's principal activities are contract mining; engineering and support services to the oil and gas and mining industries; plant operation and construction.

Company head office is situated in Jakarta and there are support offices in Balikpapan and Bengkulu.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE PRINCIPAL ACCOUNTING POLICIES ADOPTED BY THE COMPANY ARE AS FOLLOWS :

(a) Financial statements presentation

The financial statements have been prepared based on historical cost except for the revaluation of certain fixed assets as disclosed.

Statements of changes in financial position have been prepared based on the working capital concept.

Figures in the financial statements are rounded and stated in Rupiah Million unless otherwise stated.

PT PETROSEA

(Formerly PT Petrosea International Indonesia)

**NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 1989 AND 1988
(In Rupiah Million)****(b) Foreign Currency transactions and translation**

The accounting records have been maintained on the basis that the functional currency of the company is US dollars as substantially all income and a significant amount of expenditures are denominated in US dollars. The financial statements are prepared in Rupiah. Foreign currencies are converted to Rupiah at the rates approximating those ruling on the transaction date. At year end monetary assets and liabilities in foreign currency are converted at rates approximating those ruling at that date. Differences arising are taken to the profit and loss statement.

(c) Provision for doubtful accounts

Provision is calculated based on a specific review of doubtful accounts.

(d) Inventories

Inventories are valued at the lower of cost using average cost method and net realizable value after provision for obsolescence.

(e) Fixed assets

Buildings, plant, equipment and vehicles used in operations and acquired up to 1 January 1987 were revalued and approved in accordance with Government Regulation No. 45 of 1986. Acquisitions after that date are stated at cost.

All fixed assets are depreciated using the straightline method at appropriate rates based on the estimated useful lives of the assets as follows:

Leasehold land, building and improvements	8 - 10 years
Plant, equipment and vehicles	3 - 5 years
Furniture fittings and office equipment	4 - 5 years

PT PETROSEA

(Formerly PT Petrosea International Indonesia)

NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 1989 AND 1988
(In Rupiah Million)

(f) Income

Income includes construction activities; rental received on equipment, houses, warehouses and other facilities : and all other services to clients.

(g) Contract profit recognition

Where a construction contract has progressed beyond the early stages profit is recognised on the percentage of completion basis and expected losses are recognised as soon as they become apparent.

(h) Income tax payable

Income tax payable is determined on the basis of taxable income for the year. No deferred tax is provided for the timing differences in the recognition of income and expenses between financial reporting and income tax purposes.

(i) Joint operations

The company's joint arrangements involved participation in ventures engaged in construction and engineering contracts through joint operations between venturers. The company's proportionate shares of gross income, cost incurred, assets and liabilities are included in the financial statements.

(j) Earning per share

The calculation of earnings per share for the period is based on the net profit for the period concerned divided by the average number of issued shares during the period.

PT PETROSEA

(Formerly PT Petrosea International Indonesia)

NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 1989 AND 1988
(In Rupiah Million)

3. TRADE RECEIVABLES

Trade receivables are net of a provision for doubtful accounts of Rp. Nil (1988 - Nil). The receivables are denominated in the following currencies :

	31 December	
	1989	1988
US Dollar receivables	10,060	6,634
Other currency receivables	193	362
	10,253	6,996
	=====	=====

In the opinion of the directors no provision for doubtful accounts was required as at 31 December 1989 and 1988.

4. OTHER RECEIVABLES

	31 December	
	1989	1988
Staff receivables	139	153
Claims receivable	6	112
Recoverable expenses	48	32
	193	297
	=====	=====

5. INVENTORIES

These represent spares and supplies on hand and in transit net of provision of Rp.671,856,000 as at 31 December 1989 (1988 - Rp.415,000,000).

PT PETROSEA
(Formerly PT Petrosea International Indonesia)

NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 1989 AND 1988
(In Rupiah Million)

6. PREPAYMENTS

	31 December	
	1989	1988
Prepaid expenses	605	266
Prepaid corporate taxes (Note 17b)	1,908	1,794
	2,513	2,060
	=====	=====

7. FIXED ASSETS

Book value of fixed assets in accordance with policy as set out in Note 2(e) :

	31 December	
	1989	1988
Leasehold land, building and improvements	5,810	5,906
Plant, equipment and vehicles	29,985	22,079
Furniture fittings and office equipment	133	171
	35,928	28,156
	-----	-----
Less accumulated depreciation :		
Leasehold land, building and improvements	1,620	1,026
Plant, equipment and vehicles	14,392	10,839
Furniture fittings and office equipment	42	24
	16,054	11,889
	-----	-----
Net book value	19,874	16,267
	=====	=====

PT PETROSEA
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The book value of fixed assets include net increment of fixed assets revaluation in accordance with the Government Regulation No.45 of 1986 as follows :

	31 December	
	1989	1988
Leasehold land, building and improvements	298	427
Plant, equipment and vehicles	33	75
Furniture fittings and office equipment	-	-
	331	502
	-----	-----

Certain of the company's heavy equipment for total value of approximately US\$2,000,000 has been pledged as a security in a loan agreement between the company and the Hong Kong & Shanghai Banking Corporation (Refer to Note 10).

8. ACCRUALS

	31 December	
	1989	1988
Accruals	1,704	1,404
Payroll liabilities	1,178	1,119
Sundry provisions of employee costs	116	86
	2,998	2,609
	=====	=====

PT PETROSEA
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NOTES TO FINANCIAL STATEMENTS
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9. OTHER PAYABLES

	31 December	
	1989	1988
Claims payable	326	92
Deposits and advances from third parties	47	43
Value added tax and withholding taxes	1,018	52
	1,391	187
	=====	=====

10. BANK LOANS

	31 December	
	1989	1988
a) The Hongkong & Shanghai Banking Corporation	3,574	-
b) Rural and Industries Bank of Western Australia (R&I)	-	1,639
c) Mutual International Finance Corporation (MIFC)	-	862
	3,574	2,501
	=====	=====

The Hongkong Shanghai Banking loan of US\$2,000,000 is secured by certain of the company's heavy equipment for total value of approximately US\$2,000,000 and bears interest at 2.25% above SIBOR. The loans from R & I and MIFC were under normal commercial arrangements. All the loans have been guaranteed by the parent company.

PT PETROSEA
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NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 1989 AND 1988
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11. DUE TO PARENT COMPANY

The company received services from other members of the Clough Engineering Group. These arose from normal commercial transactions which are approximately 5% of the company's total costs. Any outstanding amounts owing to the group companies are settled regularly with the parent company. No interest is charged on unsettled amounts.

12. SHAREHOLDER'S LOANS

This represents loans from Clough International Limited of US\$3,992,720 (1988 - US\$11,085,000). No interest has been charged on the loans to 31 December 1989 and there are no fixed repayment terms.

13. SHARE CAPITAL, PREMIUM AND SHARE APPLICATION MONIES RECEIVED

SHARE CAPITAL

Authorised, issued and fully paid 4,000,000 common shares of Rp.415 each (US\$ 1) subscribed for cash of US\$ 1 each share.

The shareholders :

	31 December 1989 and 1988		
Name of Shareholders	Number of shares	Percentage of ownership	Total Value
Clough International Limited	2.800.000	70%	1.162
Drs Udaya Sastrodimejo	1.200.000	30%	498
	4.000.000	100%	1.660
	=====	=====	=====

PT PETROSEA

(Formerly PT Petrosea International Indonesia)

NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 1989 AND 1988
(In Rupiah Million)13. SHARE CAPITAL, PREMIUM AND SHARE APPLICATION MONIES
RECEIVED (Cont'd)

	31 December	
	1989	1988
PREMIUM		
The premium arises because the cash received for capital, received in US dollars and translated into Rupiah exceeded the par value of the shares	872	872
	=====	=====

SHARE APPLICATION MONIES RECEIVED

Application monies received from Clough International at balance date (See note on capital restructure below).

4,593	-
=====	=====

PLAN OF CAPITAL RE-STRUCTURE AFTER BALANCE DATE

The intention of the capital restructuring is to make the issued capital of the company 9,000,000 shares of Rp1,000 each prior to a public offering of 4,500,000 new shares making a final new total capital of 13,500,000 shares of Rp1,000 each. The steps to be taken are :

- Increase authorised capital to 13,500,000 shares of Rp1,000 each.
- Change par value of each share to Rp1,000.
- Convert the share premium account and asset revaluation reserve into issued shares at par (Rp1,000 per share).
- Issue 4,893,100 new shares for cash at par (Rp1,000) to the current shareholders of which Rp4,593,100,000 was paid in advance prior to balance date (See share application monies received above).
- Issue 4,500,000 new shares to the public.

PT PETROSEA

(Formerly PT Petrosea International Indonesia)

NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 1989 AND 1988
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14. INCOME

	31 December	
	1989	1988
Oil and gas	6,999	12,893
Coal	38,052	11,997
Other minerals	12,659	10,620
Properties and supply base	2,366	2,704
	60,076	38,214
	=====	=====

15. DIRECT COSTS

	31 December	
	1989	1988
Salaries, wages and related costs	7,361	5,678
Construction materials	5,227	3,427
Depreciation	4,935	3,443
Plant and construction	27,578	19,358
	45,101	31,906
	=====	=====

16. INDIRECT COSTS

	31 December	
	1989	1988
Salaries and wages	642	589
Repairs and maintenance	160	104
Water, power, light and fuel	44	33
Freight importation storage	64	19
Communication	189	134
Travelling	92	78
Placing and relocation	108	68
Other expenses	742	326
	2,041	1,351
	=====	=====

PT PETROSEA

(Formerly PT Petrosea International Indonesia)

NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 1989 AND 1988
(In Rupiah Million)

17. CORPORATE INCOME TAX

	31 December	
	1989	1988
a) Corporate income tax expenses for the year is calculated as follows:		
Profit before tax	12,695	3,161
Add/(Deduct)		
Accounting depreciation	4,935	3,443
Taxation depreciation	(5,505)	(4,612)
Accounting exchange losses	30	1,991
Taxation exchange losses	(3,903)	(4,106)
Net increase/(decrease) in provision	351	(77)
Benefits in kind and disallowed expenses	927	951
Other tax adjustments	415	(153)
	9,945	598
Tax losses brought forward	-	(239)
Taxable income	9,945	359
	=====	=====
Tax expense is calculated based on the appropriate tax rate on the taxable income :		
1989 (Estimated)		
15% x Rp 10,000,000	Rp 1,500,000	
25% x Rp 40,000,000	Rp 10,000,000	
35% x Rp 9,895,000,000	Rp 3,463,250,000	
	Rp 3,474,750,000	
	=====	
1988 (As reported in the tax return)		
15% x Rp 10,000,000	Rp 1,500,000	
25% x Rp 40,000,000	Rp 10,000,000	
35% x Rp 309,000,000	Rp 108,150,000	
	Rp 119,650,000	
	=====	

PT PETROSEA

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NOTES TO FINANCIAL STATEMENTS
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b) Prepaid corporate taxes :

	31 December	
	1989	1988
Prepaid at 1 January	1,794	1,401
Paid during the year	114	393
Prepaid corporate taxes	1,908	1,794
	=====	=====

18. CAPITAL COMMITMENTS AND CONTINGENCIES

- a) Contracted capital expenditure for plant and equipment at 31 December 1989 was Rp3,500,000,000 (1988 - Rp466,000,000).
- b) The company has various outstanding bank guarantees being performance bonds as required in their operations.
- c) The company has guaranteed to third party the performance of contracts of the joint operations. The value of co-venturers liabilities of the joint operations at 31 December 1989 was Rp3,442,000,000 (1988 - Nil).
- d) As at 31 December 1989 the company had no other contingent liabilities or capital commitments (1988 - Nil).

19. CHANGE IN ACCOUNTING POLICIES

- (a) These financial statements have been prepared to comply with Indonesian generally accepted accounting principles and the requirements of the circular letter of the Chairman of the Capital Market Executive Agency No.SE-24/PM/1987 dated 24 December 1987. Capital and fixed assets have been included in the 1988 restated financial statements at Rupiah historical cost.

PT PETROSEA
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NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 1989 AND 1988
(In Rupiah Million)

Previously in preparing the financial statements the company adopted a policy of recording share capital and fixed assets at US Dollar historical cost converted at year end exchange rates (see further paragraph 19(c) below).

This policy was not in agreement with Indonesian generally accepted accounting principles and the audit opinions issued were qualified in that respect.

The recording of cumulative effect of this change in accounting policy was made in 1989. For comparative financial statements purposes, the cumulative effect of this change has been reported in the restated 1988 financial statements.

The cumulative effect of this change in policy on the previously issued 1988 financial statements has been to reduce fixed assets by Rp2,853,000,000 paid in capital by Rp5,240,000,000 and increase retained earnings and share premium reserve by Rp1,536,000,000 and Rp872,000,000 respectively.

- (b) For the financial years ended 31 December 1986 and 1987 the company adopted the policy of deferring exchange losses arising on the 1986 Rupiah devaluation and expensing losses only when realised.

In 1988 the company changed its accounting policy from deferred method to direct write off at the time the exchange losses were incurred. The cumulative effect of the accounting change of Rp1,542,000,000 was expensed in 1988.

- (c) The net revaluation of fixed assets for income tax purposes of Rp1,575,489,053 as at 1 January 1987 in accordance with Government Regulation No. 45 of 1986 was not reflected in the previously reported financial statements at 31 December 1987 and 1988 as the approval had not been obtained until December 1989 and under the previous accounting policies referred to in Note 19(a) fixed assets were already included at an amount higher than valuation amount.

PT PETROSEA
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NOTES TO FINANCIAL STATEMENTS
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The company in 1989 decided to book the net revaluation of fixed assets. For comparative financial statements purposes the net revaluation has been accounted for at 1 January 1988 and therefore it has been included in the restated 1988 financial statements.

In the restated financial statements at 31 December 1988 the revaluation has been brought to account. The change has decreased the previously reported result for the years ended 31 December 1988 and 1987 by Rp253,000,000 and Rp821,000,000 respectively. The effect to the results for the year ended 31 December 1987 has been reflected in the balance of retained earnings (accumulated deficit) at 1 January 1988 of the restated financial statements at 31 December 1988.

20. SUBSEQUENT EVENT AFTER BALANCE SHEET DATE

- (a) Subsequent to balance date relevant approvals regarding capital restructure as disclosed in Note 13 have been obtained from the necessary government departments and agencies as follows :

. **BADAN KOORDINASI PENANAMAN MODAL (BKPM)**

Vice Chairman of BKPM in his letter dated 24 January 1990 approved the company's plan to sell its shares to the public.

Subsequently chairman of BKPM in his letter dated 1 March 1990 approved the company's expansion plan which partly will be financed through selling of shares to the public.

. **MINISTRY OF JUSTICE**

Ministry of Justice in his Decree No.C2-1534.HT.01.04 - TH 90 dated 21 March 1990 approved the latest Articles of Association which were amended at the extraordinary meeting of shareholders on 15 March 1990.

PT PETROSEA

(Formerly PT Petrosea International Indonesia)

NOTES TO FINANCIAL STATEMENTS

AS AT 31 DECEMBER 1989 AND 1988

(In Rupiah Million)

- (b) In accordance with the company's plan to restructure and sell its shares to the public in April 1990, the shareholders on 15 March 1990 approved the various required steps as disclosed in Note 13 and therefore the balance of share capital at 15 March 1990, is as follows :

Issued and fully paid :

	Rp.

Share capital at 31 December 1989	
at new par value of Rp1,000	
per share	1,660,000,000
Capitalisation of share premium	
reserve at par value of Rp1,000	
per share	871,500,000
Capitalisation of net asset	
revaluation at par value	
of Rp1,000 per share	1,575,400,000
Issue of shares for cash	
at par value Rp1,000 per share	4,893,100,000

	9,000,000,000

4,500,000 unissued shares of par	
value Rp1,000 available for issue	
to the public	4,500,000,000

Total authorised capital	13,500,000,000
	=====

- (c) The company changed its name from PT Petrosea International Indonesia to PT Petrosea in connection with the latest changes in Articles referred to above.

21. ACCOUNTS RECLASSIFICATION

Comparative figures have been amended to conform with the basis on which the financial statements have been presented in the current year.

XII. LEGAL OPINION

March 22, 1990

PT MULTINATIONAL FINANCE CORPORATION (MULTICOR)
Wisma BCA, 12th floor
Jalan Jend. Sudirman Kav. 22-23
PO Box 730 Kby
Jakarta 12920

PT JARDINE FLEMING NUSANTARA FINANCE
Wisma Dharmala Sakti, 4th floor
Jalan Jenderal Sudirman 32
Jakarta 10220

PT ASEAM INDONESIA (ASEAM)
Bank Bumi Daya Plaza, 16th floor
Jalan Imam Bonjol No.61
Jakarta

PT INDONESIAN INVESTMENTS INTERNATIONAL (PT INDOVEST)
Menara Bank Dagang Negara, 24th Floor
Jalan Kebon Sirih No. 83
Jakarta 10340

PT INTER-PACIFIC FINANCIAL CORPORATION
Wisma Metropolitan II, 9th Floor
Jalan Jendral Sudirman Kav. 31
Jakarta 12920

PT MERCHANT INVESTMENT CORPORATION (MERINCORP)
Summitmas Tower, 21st Floor
Jalan Jendral Sudirman Kav.61-62
Jakarta 12190

Dear Sirs:

P.T. Petrosea (formerly known as "PT PETROSEA INTERNATIONAL INDONESIA") (hereinafter referred to as the "Issuer") intends to issue and offer for sale to the public 4,500,000.00 (four million and five hundred thousand) registered common shares with a nominal value of Rp.1000 per share (hereinafter referred to as the "Shares").

In connection with this offer of Shares, the Issuer has appointed PT MULTINATIONAL FINANCE CORPORATION (MULTICOR), PT JARDINE FLEMING NUSANTARA FINANCE, PT ASEAM INDONESIA (ASEAM), PT INDONESIAN INVESTMENTS INTERNATIONAL (PT INDOVEST), PT INTER-PACIFIC FINANCIAL CORPORATION, PT MERCHANT INVESTMENT CORPORATION (MERINCORP) as Lead Underwriters pursuant to the Share Underwriting Agreement set forth in Deed Number 123 dated March 22, 1990 drawn up before Amrul Partomuan Pohan, SH, LLM, Notary in Jakarta (hereinafter referred to as the "Share Underwriting Agreement").

This opinion is issued in accordance with the provisions of Article 15(a) of the Share Underwriting Agreement. Capitalized terms defined in the Share Underwriting Agreement shall have the same meanings when used herein.

In giving this opinion, we have reviewed the following documents:

- (a) the articles of association of the Issuer, as set forth in:
 - (i) State Gazette No. 12 supplement number 96 dated February 9, 1973,
 - (ii) State Gazette No. 33 supplement number 434 dated April 24, 1984, and
 - (iii) Resolution of the Extraordinary General Meeting of Shareholders, Deed No. 74 dated March 15, 1990 drawn up before Amrul Partomuan Pohan, SH, LLM, Notary in Jakarta, which Deed has been approved by the Minister of Justice by its Decree No. C2-1534.HT.01.04-TH.90 dated March 21, 1990.
- (b) the licenses of the Issuer, as set forth below:
 - (i) the Presidential Approval dated February 3, 1972 No. B-16/Pres/2/72, approving the Issuer as a foreign investment law company.
 - (ii) the Minister of Mines decrees, as set forth below:
 - Minister of Mines Decree No.75/Kpts/M/Pertamb./1972 dated February 14, 1972 regarding the business license, and
 - Minister of Mines Decree No.350/Kpts/M/Pertamb./1973 dated June 23, 1973 regarding the change of name of the foreign shareholder, from Petrosea International Holdings Limited Hongkong to Thiess-Petro Sea International Holdings, Ltd.
 - (iii) the Capital Investment Coordinating Board ("BKPM") licenses, as set forth below:
 - BKPM License No. 12/II/PMA/1982 dated August 18, 1982 approving the expansion of the Issuer,
 - BKPM License No. 07/T/Pertambangan/1988, dated January 11, 1988 granting an operating license to engage in mining activities, valid until February 2002,
 - BKPM License No. 482/A.1/1989 dated August 10, 1989, extending the Issuer's operating license for 30 years, valid as of August 18, 1982,
 - BKPM License No. 56/A2/1990 dated January 24, 1990, the Issuer's offer of shares to the public, and

- BKPM License No. 38/II/PMA/1990 dated March 1, 1990 approving the capital expansion of the Issuer and acknowledging the present name of the foreign shareholder.
- (iv) Directorate General of Oil and Gas License No.2936/DU.3/DJM/1988 dated October 17, 1988 to conduct activities in the field of oil and gas mining services, valid for 2 years.
- (v) Directorate General of General Mines License No.1671/2019/DJP/1989 dated August 24, 1989 to conduct activities in the field of general mining, valid until August 24, 1990.
- (vi) Department of Public Works License No.1705.2.72.88.00265 dated March 10, 1988 and valid until March 10, 1993, to conduct activities in the field of construction services.
- (vii) Directorate General of Taxes Letter No.Kep.364/WOPJ.06/KP.0204/1989 dated December 27, 1989 approving the Issuer's revaluation of assets as of January 1, 1987 pursuant to Government Regulation No.45 of 1986.
- (c) the Issuer's Department of Trade Company Registration No. 09051205601 dated September 23, 1986, valid until September 23, 1991.
- (d) the Issuer's taxpayer Number 1.001.706.6-052 and the Directorate General of Taxes Letter No.0288 PKP/WPJ.10/KI.12/1985 dated February 1, 1985 approving the Issuer as a taxpayer.
- (e) the Share Underwriting Agreement drawn up before Amrul Partomuan Pohan SH, LL.M Notary in Jakarta under Deed No. 123 signed on March 21, 1990.
- (f) the draft Prospectus, whereby the Shares are offered to the public.
- (g) the laws and regulations in the Republic of Indonesia concerning the offer of shares to the public.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents, deeds and certificates submitted to us as originals, the conformity with the originals of all documents submitted as copies thereof and the conformity with the final, executed versions of all documents submitted to us as drafts thereof and we found nothing to indicate that such assumptions are not justified.

As to any other matters of fact material to the opinions expressed herein, we have relied on representations and warranties made in the Share Underwriting Agreement, the Prospectus, certificates of the Issuer and the members of the Issuer's board of directors and board of commissioners, and the Extraordinary General Meeting of Shareholders referred to in paragraph (a)(iii) above.

Where the phrase "to our knowledge" is used in this opinion, it means that we have no knowledge to the contrary, have conducted no investigation beyond the documents delivered to us on such matters and have relied on the certificates of the Issuer, the members of the board of directors and of the board of commissioners, and the Resolution of the Extraordinary Meeting of Shareholders referred to in paragraph (a)(iii) above.

After considering the above documents, laws and regulations, we are of the opinion that:

- a. The Issuer is a legal entity validly established under the laws of the Republic of Indonesia in the form of a limited liability company. To our knowledge, there are no amendments to the Issuer's articles of association except as set forth in paragraph (a)(iii) above.
- b. The Issuer has the right and authority to conduct its business and activities as provided in its articles of association.
- c. Licenses have been obtained to operate its business and engage in its activities as stated in the Presidential Approval dated February 3, 1972 No. B-16/Pres/2/72, approving the Issuer as a foreign investment law company, referred to in paragraph b(i) above and as further implemented by Minister of Mines Decree No. 75/Kpts/M/Pertamb./1972 dated February 14, 1972, referred to in paragraph (b)(ii) above and the BKPM licenses referred to in paragraph b(iii) above.
- d. The Issuer holds rights to the land described in the Hak Guna Bangunan title certificates referred to in Attachment I.
- e. To our knowledge, the Issuer's movable and immovable property is insured and such insurance is in effect under insurance policies which are renewable annually.
- f. The execution and implementation of the documents required for the issuance of the Shares, and the issuance thereof by the Issuer, do not violate the articles of association of the Issuer or any law or other regulation having the force of law.

- g. The Share Underwriting Agreement with the Lead Underwriter has been duly approved and executed in the name of the Issuer, constitutes valid and binding obligations of the Issuer, subject to a licence being issued from the Chairman of the Capital Market Implementing Agency acting in the name of the Minister of Finance for the issuance of the Shares, and is enforceable in accordance with its terms.
- h. To our knowledge and as confirmed by the representation of the Issuer in Article 12.1(d) of the Share Underwriting Agreement and, insofar as the district court of the Issuer's domicile is concerned, by the District Court of South Jakarta's letter number 05/Sktr/Pan/II/1990/P.N. Jakarta Selatan dated February 14, 1990, neither the Issuer nor any member of the board of directors of the Issuer is a party to any lawsuit before any court, (civil as well as criminal in nature) or any arbitration proceeding which would have a material adverse effect on the business or existence of the Issuer. We note that the Issuer is a defendant in a law suit brought by PT Pahala Wahyu Indah in the District Court of Balikpapan, Kalimantan dated April 12, 1989, which alleges a default under a heavy equipment lease agreement and claims damages of approximately Rp. 234.123.934 (1 US\$ = Rp. 1820,-). The District Court of Balikpapan, Kalimantan has ruled in favour of the Issuer on the ground of lack of jurisdiction and the plaintiff has appealed. The Issuer has certified that, should the District Court's judgement in favour of the Issuer be reversed on appeal, any adverse judgement would have no material adverse effect on the business or existence of the Issuer.
- i. The Shares of the Issuer shall give every lawful holder thereof the authority to exercise all rights to which a shareholder is entitled under its Articles of Association and the laws of the Republic of Indonesia, including but not limited to the rights to receive dividends and vote at General Meetings of Shareholders.

The opinions herein regarding the enforceability of agreements are given subject to (i) principles of good faith which apply to the implementation of contracts and (ii) the provisions of the bankruptcy law.

Very truly yours,

Mochtar, Karuwin & Komar

MOCHTAR, KARUWIN & KOMAR

MKK/IEA/io/1891K

cc: - Capital Market Agency
- PT Petrosea

Attachment 1

Petrosea housing complex located in Kampung Damai village, East Balikpapan region, municipality of Balikpapan, East Kalimantan Province.
Following is the land Registration.

Item No	Land Right No	Vicinity Map	Validity	Date of Expired	Ownership Right	Area M2
1	140	1872/1983	20 years	02/08/2003	Petrosea 17/12/87	23,500
2	61	2390/1981	20 years	07/04/2001	Petrosea 26/12/85	33,225
3	255	1931/1985	20 years	03/09/2005	Petrosea 30/09/85	1,512
4	594	1918/1986	20 years	16/06/2007	Petrosea 03/08/87	39

XIII. STATEMENTS FROM THE APPRAISAL COMPANIES

SUMMARY

The valuation appraisals increase the assets by Billion Rp. 29.6 and are summarized as follows :

	Billion Rupiah
Valuation of the Company's three properties at Balikpapan - Tanjung Batu, Jalan Jend. Sudirman and Kampung Damai	6.1
Heavy Equipment Valuation	42.8
Total	48.9
Fixed Assets as above at valuation date	19.3
Surplus on Valuation	29.6



P.T. SARANA PENILAI

APPRAISAL CENTRE
APPRAISAL SPECIALISTS & PROPERTY CONSULTANTS

JALAN H.O.S. COKROAMINOTO 117 JAKARTA PUSAT - INDONESIA
PHONES : 3100404, 3100909, 342894, 3101660, P.O. BOX 254, CABLE PENILAI - JKT.
TELEX : 61466 BERCO IA, FAX (021) 3101661

Ref.No. 589/90

March 14, 1989

P.T. PETROSEA INTERNATIONAL INDONESIA
Jl. Ampera Raya No.5, Cilandak,
Jakarta

Dear Sirs,

In compliance with your instructions and for purposes of appraisal, we have examined certain property exhibited to us as belonging to P.T. PETROSEA INTERNATIONAL INDONESIA.

The appraisal covers machinery, and heavy equipments, located at Jakarta, Balikpapan, Sanggata, Ampalit, Kelian, Sampit, Muara Teweh, Puruk Cawu, Bangka, Bengkulu, Kurau, Pulau Padang and Singapore.

Our opinion of value is expressed in terms of Sound Value based on prevailing conditions as of October 2, 1989.

/2..

It is our understanding that this appraisal is required in connection with share emission in share market which is coordinated by BAPEPAM (Badan Pelaksana Pasar Modal).

APPRAISAL PROCESS

In arriving at the sound value of the machinery, equipments, and vehicles, we have conducted a detailed inspection of each item, interviewed management and technical personal to establish condition, utility and history of the property. We have given consideration to the cost of reproduction new of the items under appraisement based on current prices for construction materials, labour, manufactured equipment, contractor's profit and fees, and other incidental costs, but exclusive of premiums for materials and overtime or extra payment for labour.

Where elements are of foreign origin, the pricing process gave full consideration to all expenditures normally incurred in importation, such as inland and ocean freight, insurance, commissions, import duties, taxes, and handling charges. Installation costs were likewise taken into consideration.

Additionally, accrued depreciation of the property based on observed condition was taken into account.

DEPRECIATION ANALYSIS

Depreciation is loss in value of an old or used item arising from physical deterioration, functional and economic obsolescence, lack of utility, and other causes deemed of lessen usefulness.

/3..

The extent of depreciation for the replaceable items under appraisal was determined on the basis of observed condition as noted through personal inspection of the property. Consideration was given to the strength of materials, adaptability of the materials to the purpose used, the influence of stresses and strains, bearing power of foundation, character of maintenance, efficiency, replacement of parts, and probable remaining economic life.

CONCLUSION

Based on generally accepted appraisal procedure and after careful consideration of factors affecting value, it is our well considered opinion that the Sound Value of the property under appraisement as October 2, 1989, is :

RUPIAHS FORTY TWO BILLION SEVEN HUNDRED
NINETY EIGHT MILLION FIVE HUNDRED THOUSAND

(Rp. 42.798.500.000,-)

Yours faithfully,
P.T. SARANA PENILAI




Ir. Hedyanto
Director

H/th.



P.T. COLLIERSUTABA INDO
Property Consultants

P.T. PENILAI
Valuation & Development Appraisal

S. Widjojo Centre 3rd. Floor Jl. Jenderal Sudirman 71, Jakarta 12190 - Indonesia
P.O. Box 16/JKWK. Tel. : 5780144, 584450, 584481. Telex : 44672 SWIDJO IA.
Facsimile : 62-21-586181, 586182, 5780030

8 January 1990
Reference : V/709 - PTP/102

**THE BOARD OF DIRECTORS
AND SHAREHOLDERS OF
PT PETROSEA INTERNATIONAL
INDONESIA**

Jalan Ampera Raya No. 5
Jakarta Selatan

Dear Sirs,

1.0 INSTRUCTIONS

In accordance with your instructions concerning an offering to the public of shares in the Company, in our capacity as a licensed valuer under Licenses of the Trade Department No. 003/Pen/BSP-3/X/86 dated 30 October 1986 and the Minister of Finance No. S-013/MK.11/1987 dated 10 January 1987, we have made an investigation and valuation of certain assets of :

**P.T. PETROSEA INTERNATIONAL INDONESIA
("the Company")**

for the purpose of expressing an opinion of a Open Market Value of the assets as of 30 October 1989. The valuation of the Company's assets covers land and buildings but exclusive of supplies, materials on hand, Company's records or any current or intangible assets, located at Jalan Jend. Sudirman No. 51, Kampung Damai and Tanjung Batu, Balikpapan, East Kalimantan.

2.0 BASIS OF VALUATION

In arriving at our opinion of the open market value we have had regard to the Guidance Notes issued by the Royal Institution of Chartered Surveyors in which open market value is defined as "the best price at which an interest in a property might reasonably be expected to be sold by private treaty at the date of valuation assuming :

- a) a willing seller;
- b) a reasonable period within which to negotiate a sale taking into account the nature of the property and the state of the market;

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P.T. COLLIERSUTABA INDO
Property Consultants

P.T. PENILAI
Valuation & Development Appraisal

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- c) values will remain static throughout the period;
- d) the property will be freely exposed to the market;
- e) no account is to be taken of any bid by a special purchaser."

Furthermore, when arriving at the open market value of existing use, the additional assumption that the property will continue in its existing use is made (that is, no account is taken of any possible form of alternative use, any element of hope value, any value attributable to goodwill and any possible increase in value due to special investment or financial transactions which would leave the owners with a different interest from the one to be valued).

3.0 CONCLUSION

On the assumption that there are no onerous restrictions covenants or unusual outgoings of which we have no knowledge and subject to the basis of valuation specified above, we are of the opinion that the Open Market Value of the assets is as follows :

DESCRIPTION	OPEN MARKET VALUE
- JALAN JEND. SUDIRMAN NO. 51	Rp. 2,800,000,000.-
- KAMPUNG DAMAI	Rp. 1,150,000,000.-
- TANJUNG BATU	Rp. 2,150,000,000.-
TOTAL	Rp. 6,100,000,000.- =====

(RUPIAH SIX BILLION AND ONE HUNDRED MILLION ONLY).

Yours faithfully,

Ir. Hendra Gunawan
Director

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XIV. ARTICLES OF ASSOCIATION

P.T. PETROSEA

NAME AND DOMICILE

Article 1

1. The name of the Company is: "P.T. Petrosea" and has its legal domicile and head office in Jakarta.
2. The Company may open office, establish branches and representative offices in other places, both inside and outside the territory of the Republic of Indonesia, as decided by the Board of Directors.

OBJECTIVES AND PURPOSES

Article 2

The objectives and purposes of the Company are:

- a. to engage in Construction Services, Logistic Supplies and Equipment Supply (Plant Hire) to support activities and operations in the Oil and Gas Industry and General Mining.
- b. to engage in any activity and endeavor in the pursuit of, in conformity with the objectives and purposes mentioned in the preceding paragraph and to conduct its activities in the broadest sense of the word for its own account or in conjunction with other persons or corporate entities in such manner and forms as may be required without prejudice to the prevailing regulations having the force of law.

TIME OF INSPECTION AND DURATION OF ASSOCIATION

Article 3

The Company is established under Article 51 of the Indonesia Commercial Code for a period of 75 (seventy-five) consecutive years as from 13th November 1972. In accordance with law no. 1 1967 of the Foreign Investment law amended by law no.11 of 1970, under which the Company is established the Company shall be established for a period of 30 (thirty) consecutive years subject to the Foreign Investment license being extended or renewed.

CAPITAL

Article 4

1. The authorized capital of the Company shall be Rp.13,500,000,000.- (Thirteen billion and five hundred million Rupiah) divided into 13,500,000 (Thirteen million and five hundred thousand) shares, each share worth Rp. 1,000.- (one thousand Rupiah) in par value.
2. From the above mentioned shares 9,000,000 shares or Rp.9,000,000,000.- have been subscribed and fully paid up by:

- a. Clough International Limited : 6,300,000 (Six million three hundred thousand) shares having aggregate par value of six billion three hundred million Rupiah or Rp.6,300,000,000,000.-
 - b. Udaya Sastrodimedjo : 2,700,000 (two million seven hundred thousand) shares having the aggregate par value of two billion seven hundred million Rupiah or Rp. 2,700,000,000,00.-
3. The balance of the 4,500,000 shares or Rp.4,500,000,000.- must issued by the Company at the time the Company offers the shares to the public through the Stock Market.
 4. 100% (one hundred percent) of the price of each subscribed share of the aggregate of Rp. 9,000,000,000.- (Nine billion Rupiah) were fully paid up.
 5. Any further issue of shares shall only be done on the basis of a resolution of the Meeting of the Board of Directors with the approval of the Meeting of the Board of Commissioners to issue an additional number of shares, in which resolution shall be determined the price at which the shares are to be issued but shall not be below par value and other conditions with respect to such issue of shares, without prejudice to the prevailing license from the authority.
 6. Any further issue of shares to be issued by way of private placement, the directors shall give pre-emptive right to all shareholders to purchase the shares in proportion to the number of shares they respectively own within 1 (one) month after the Board of Directors has announced the decision on the intention of such issue in a newspaper in the Indonesian language which in the opinion of the Board of Directors has a wide circulation, and within such period of 1 (one) month the shareholders have not purchased the offered shares by paying in cash the price of the offered shares to the Company, then the passing of time shall be sufficient evidence that they have no intention to utilize their pre-emptive right, so that for that purpose no reminder or re-offer shall be required to those concerned, and the Board of Directors shall be free to issue those shares to whomsoever, with the price and terms of payment no less then the offering price to the shareholders, without prejudice to the regulations regarding the foreign investment in the stock market.

S H A R E S

Article 5

1. All shares in the Company are registered shares and issued in the name of the owner of the shares as registered in the register of shareholders of the Company.
2. One share certificate shall be issued for each share. In each share certificate shall be mentioned the serial number and the date of issue of the share concerned and

shall bear the signatures or printed signatures of any two of the members of the Board of Directors.

3. A collective certificate may be issued as evidence of ownership of 2 (two) or more shares held by 1 (one) shareholder, in which shall be mentioned the number of the shares concerned and the serial numbers thereof. A collective certificate shall also bear the signatures or printed signatures of any two of the members of the Board of Directors.
4. The share certificates shall be numbered and on each share certificate shall indicated the date of issue, together with such identification marks as the Board of Directors may determine and shall state the restrictions and limitations applicable to such shares, determined by the Board of Directors pursuant to the provisions in these Articles of Association and in future amendments to these Articles of Association.
5. The Company shall acknowledge only 1 (one) person, either an individual or a corporate body, as being entitled to exercise and utilize all the rights conferred by law upon such share.
In the event that a share for whatever reason becomes the property of several persons, then those persons having joint-ownership shall designate in writing 1 (one) person from amongst 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 considered as the only legal holder of the share concerned and shall be entitled to exercise and utilize all the rights conferred by law upon said share.
Prior to the Company receiving the written notification with respect to the designation of such joint representative or any amendment to such designation, the Company shall be entitled to treat the person whose name is registered in the register of shareholders of the Company as the only person entitled to exercise and utilize all the rights conferred by law upon such share.
6. To such shares of the Company which are registered at the Indonesia Stock Exchange shall be applicable the regulations of the Indonesia Stock Exchange at the places where the shares of the Company are registered.
7. These Articles of Association and all further amendments to these Articles of Association and all resolutions legally adopted by the General Meeting of Shareholders shall be binding upon all Shareholders of the Company.

DUPLICATES

Article 6

1. In case a certificate of share is damaged or lost or for any other reason determined by the Board of Directors deemed necessary to be replaced, the original certificate of share may be exchanged for its replacement upon written request addressed to the Board of Directors of the Company and on surrender of the original certificate of share what is left thereof.
The original certificate of share as referred to in paragraph 1 hereinabove shall be destroyed at the subsequent Meeting of the Board of Directors and the proceeding shall be recorded in the minutes of said Meeting.
2. In case a certificate of share is lost or totally damaged, the replacement may be issued to the shareholder concerned, provided he gives ample evidence acceptable to the Board of Directors, that said certificate of share is really lost or totally damaged and gives such guarantee as may be deemed necessary by the Board of Directors in any particular case.
3. The issue of a replacement for a lost or totally damaged certificate of share shall forthwith be announced by the Board of Directors by means of an advertisement in 1 (one) or more daily newspaper in the Indonesia language circulating in the legal domicile of the Company and in the state Gazette of the Republic of Indonesia at least 30 (thirty) days before the issue of the replacement, except for shares registered at the Indonesia Stock Exchange, as for such shares shall be applicable the regulations of the Stock Exchange at the places where such shares are registered.
4. For shares registered at the Indonesia Stock Exchange, the applicable regulations shall be at the places where such shares are registered.
5. The issue of a replacement in accordance with the provisions of this article renders the original certificate of share null and void.
6. All expenses incurred for the replacement of the certificate of shares in accordance with the provisions of this Article shall be borne by the shareholder concerned.
7. The provisions in paragraph 1 up till and including 6 of this Article 6 shall be mutatis mutandis applicable to the issue of replacement for collective certificates.

REGISTER OF SHAREHOLDERS

Article 7

1. The Board of Directors shall keep a register of shareholders of the Company, which shall contain each shareholder's name and address as notified by the shareholder in writing to the Board of Directors, the serial numbers of the shares and the amount of shares held by the shareholder and other particulars deemed necessary by the Company and/or by applicable regulations having the force of law.
The Board of Directors shall be notified in writing of every change in address or in other particulars of a shareholder and before such notification has been duly received by the Board of Directors, the address and other particulars registered in the register of shareholders of the Company shall be used for all correspondence, notices and dividends sent to a shareholder and regarding other matters which may be performed by a shareholder.
2. Upon request of the shareholder concerned or of the pledgee, a pledge of share shall be recorded in the register of shareholders in a manner to be determined by the Board of Directors, based on satisfactory evidence acceptable to the Board of Directors with respect to the pledge of shares concerned.
The acknowledgment of the pledge of shares by the Company as required under Article 1153 of the Indonesian Civil Code shall only be evidenced by the annotation of the pledge in the register of shareholders.
3. Any records and/or amendments to the register of shareholders shall be approved by the Board of Directors and signed by any two members of the Board of Directors.
4. Any registrations or annotations in the register of shareholders including annotation pertaining to any sale, transfer, encumbrance, pledge, assignment of the shares of the Company or rights or interests therein must be done in accordance with these Articles of Association, without prejudice to the licenses granted by the appropriate authorities by virtue of the prevailing regulations having the force of law and the provision of the Stock Exchange where those shares are registered.
5. The Board of Directors shall keep a register of shareholders.
6. Every shareholder or his representative shall be entitled to inspect the register of shareholders during office hours, and at his own costs, to obtain an extraction thereof.

TRANSFER OF SHARES

Articles 8

1. In case of change of ownership of a share, the original owner registered in the register of shareholders shall be deemed to remain the holder of such share until the name of the new owner has been entered in the register of shareholders of the Company, without prejudice to the licenses granted by the appropriate authorities.
2. All share transfer shall 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. Such document of share transfer shall be in the form as determined by the Board of Directors, provided that with respect to documents on the transfer of shares registered at the Indonesia Stock Exchange, such documents shall comply with the regulation of the Indonesia Stock Exchange prevailing at the places where the shares of the Company are registered, without prejudice to the provisions in the Indonesia Commercial Code with respect to transfer of shares.
3. The transfer note must affixed the signatures or printed signatures of 2 members of the Board of Directors for a transfer to be registered in a register of shareholder or in the share certificate.
4. The Board of Directors may decline to register any transfer of shares in the register of shareholder, if the procedures required in these Articles of Association of the Company and those procedures stipulated by the meeting of the Board of Directors are not complied with, or if any of the requirements in any license granted to the Company by the appropriate authorities or any other matter required by the appropriate authorities are not complied with.
5. If the Board of Directors declines to register any transfer of shares, they shall within 30 (thirty) days after the date of request for registration was received by the Board of Directors of the Company, send to the prospective transferor notice of the refusal.
With respect to shares of the Company registered at the Indonesia Stock Exchange, each refusal to register the transfer of shares shall be in accordance with the regulations of the Stock Exchange prevailing at the places where the shares of the Company are registered.
6. The registration of the transfer of shares shall not be done during the period as of the date of the despatch of the notices for an Annual General Meeting of Shareholders or an Extraordinary General Meeting of Shareholders until and including the date of the closing of such Meetings.
7. Any person becoming entitled to a share in consequence of the death of a shareholder or of any other cause by which the ownership of a share changes by

operation of law, may, upon producing such evidence of title as may from time to time be required by the Board of Directors, apply in writing to be registered as the holder of the share.

The registration can only be done if the Board of Directors can accept and is satisfied with such evidence of title without prejudice to the provisions in these Articles of Association and with due regard to the prevailing regulations of the Indonesian Stock Exchange at the places where the shares of the Company are registered.

8. All the limitations, restrictions and provisions in these Articles of Association regulating the transfer and registration of the transfer of shares shall also be applicable to any transfer pursuant to paragraph 6 of this Article 8.

MANAGEMENT AND SUPERVISION

Article 9

1. The Company shall be managed by a Board of Directors under the supervision of a Board of Commissioners. The Board of Directors shall consist of a minimum of 3 (three) members. The composition of the Board of Directors is as follows:
 - a. 1 (one) President Director
 - b. Minimum 2 (two) Directors.
2. Subject to the provisions of paragraphs 4,5 and 7 of this Article 9, members of the Board of Directors are appointed by a General Meeting of Shareholders for period commencing from the date as resolved at the General Meeting of Shareholders appointing them until the closing of the fifth Annual General Meeting of Shareholders following the date of their appointment.
3. A member of the Board of Directors whose term of office has expired shall be eligible for re-election.
4. The General Meeting of Shareholders may remove any member of the Board of Directors before the expiration of his period of office. Such dismissal shall be effective on the date determined by such Meeting.
5. The General Meeting of Shareholders may appoint another person to replace a member of the Board of Directors removed from office under paragraph 4 of this Article 9 or in case of a vacancy, without prejudice to other provisions in these Articles of Association.
A person appointed in place of a member of the Board of Directors so removed or to fill such vacancy, or a person appointed as additional member to the existing members of the Board of Directors, shall be appointed for a period of time

constituting the remaining term of office of the other members of the Board of Directors still in office.

6. A member of the Board of Directors may resign from his office upon giving at least 30 (thirty) days notice in writing to the Company of his intention to do so. A resigning member of the Board of Directors shall only be discharged from his responsibility after a General Meeting of Shareholders has accepted his resignation.
7. The term of office of a member of the Board of Directors shall automatically terminate, if such member of the Board of Directors:
 - a. is declared bankrupt or a court decision is issued that he is put under custody; or
 - b. is removed as provided in paragraph 4 of this Article 9; or
 - c. becomes prohibited from being a member of the Board of Directors under the provision of the prevailing regulations having the force of law; or
 - d. resign from his office by written notification as provided in paragraph 6 of this Article 9; or
 - e. passes away.
8. The remuneration of the members of the Board of Directors shall from time to time be determined by the Meeting of the Board of Commissioners.
9. When the post of a member of the Board of Directors becomes vacant, a General Meeting of Shareholders shall be called within 6 (six) months after such vacancy occurs, to fill such vacancy.

THE BOARD OF DIRECTORS

Article 10

1. Without prejudice to the provision of paragraph 2 of this Article 10, any 2 (two) members of the Board of Directors designated by the Meeting of the Board of Directors shall be entitled and have the power to represent and to act for and on behalf of the Board of Directors and the Company.
2. The Board of Directors represents and commits the Company within and outside the Courts of Justice and has the power to perform for and on behalf of the Company, all transactions concerning management of the affairs of the Company and disposition of its properties, provided that the approval of the Meeting of the Board of Commissioners shall be required for the following transactions:
 - a. to acquire, dispose immovable property of a new Company or a Company separated from the Company;
 - b. to participate in an enterprise;
 - c. to perform expenditures with respect to fixed assets or transfer of an acquiring

- d. property (except the transfer of or acquiring property for the purpose of leasing) in an amount exceeding the limit which shall from time to time be determined by the Meeting of the Board of Commissioners;
 - d. to hypothecate or pledge or in any other manner encumber property or assets of the Company (except for a hypothec or pledge of property to secure any transaction of leasing or to finance a loan as part of a transaction of leasing);
 - e. to lend money of the Company or to commit the Company as a guarantor for an amount exceeding the amount from time to time determined by the Meeting of Board of Commissioners;
 - f. to borrow money in the name of the Company exceeding the limit of the Rupiah value which from time to time shall be determined by the Meeting of the Board of Commissioners, provided that to withdraw money from a credit account or a loan already made shall not be considered as a loan for the purpose of this provision;
 - g. to enter into, amend or terminate technical service agreements or management service agreements, if any.
3. The approval of the Meeting of the Board of Commissioners as referred to in paragraph 2 of this Article 10 shall be evidenced by the minutes of the Meeting of the Board of Commissioners or an excerpt of the minutes of the Meeting of the Board of Commissioners, or by a decision of the Board of Commissioners set forth in paragraph 12 of Article 14, or by a written approval of 2 (two) members of the Board of Commissioners designated by the Meeting of the Board of Commissioners, or shall be evidenced by the signatures of 2 (two) members of the Board of Commissioners, designated by the Meeting of the Board of Commissioners, on the document containing the transaction concerned.
 4. The distribution of work amongst the members of the Board of Directors shall be arranged and determined by Meeting of the Board of Directors.
 5. The Board of Directors subject to their ultimate accountability shall be entitled to appoint one or more person as its attorney-in-fact and to give them powers to perform specific actions by issuing a written power of attorney; such powers shall be exercised only in accordance with these Article of Association.

MEETING OF THE BOARD OF DIRECTORS

Article 11

1. A Meeting of the Board of Directors may be called by the President Director or by 1 (one) or more members of the Board of Directors at such time as they shall deem necessary, provided that written notice of the Meeting shall be hand-delivered against proper receipt or shall be sent by registered mail or telegram or telex (if sent by telegram or telex, a written confirmation shall be sent as soon as practical) at least 5 (five) days before the Meeting is to be held, excluding the

date of the notice and the date of the Meeting. The notice shall state the agenda, date, time and place of the Meeting. If all members of the Board of Directors are present and/or represented, such prior written notice shall not be required. The Meeting of the Board of Directors shall be held at the legal domicile of the Company or at any other place in the territory of the Republic of Indonesia as determined by the Board of Directors, at a time and place as designated by those members of the Board of Directors calling the Meeting.

2. The President Director shall preside over the Meeting of the Board of Directors and in case of his absence or inability, of which impediment no evidence shall be required, one of the other members of the Board of Directors designated by such Meeting of the Board of Directors shall preside over the Meeting of the Board of Directors.
3. A Meeting of the Board of Directors shall be valid and entitled to take lawful and binding resolutions only if more than 50% (fifty per cent) or the total number of incumbent members of the Board of Directors are present and/or represented.
4. A member of the Board of Directors may be represented at a Meeting of the Board of Directors only by another member of the Board of Directors designated by written power of attorney.
5. Resolutions of the Meeting of the Board of Directors shall be taken based upon the same being approved by more than 50% (fifty per cent) of the total number of incumbent members of the Board of Directors.
6. Each member of the Board of Directors shall be entitled to cast 1 (one) vote and in addition 1 (one) vote for each other member he represents.
7. Blank votes and void votes shall be considered not having been cast and this being non-existent and shall not be counted in determining the total votes cast in the Meeting of the Board of Directors.
8. Minutes of the Meeting of the Board of Directors shall be drawn up by someone present at the Meeting designated by the Chairman of the Meeting and shall then be signed by the Chairman of the Meeting and one of the members of the Board of Directors or by one of the representative or attorneys if the members of the Board of the Directors designated for such purpose at the Meeting concerned to verify the completeness and accuracy of the minutes. In case of any dispute with respect to the matters set forth in the minutes of the Board of Directors' Meeting, such matter shall be resolved at a Meeting of the Board of Directors and the resolution shall be adopted on the basis of the affirmative votes of more than 50% (fifty per cent) of the total incumbent members of the Board of Directors. Such minutes shall serve as legal evidence for the members of the Board of Directors

and for other parties regarding the resolutions adopted at the Meeting concerned. If the minutes are drawn up by a notary, such signatures shall not be required.

9. The Board of Directors may also adopt valid and binding decisions without convening a Meeting of the Board of Directors, provided that all members of the Board of Directors have been notified in writing regarding the proposal concerned and more than 50% (fifty per cent) of the total incumbent members of the Board of Directors have approved the proposal concerned by executing a written consent. Decision of the Board of Directors so adopted shall have the same legal effect as decisions adopted in a Meeting of the Board of Directors.
10. A member of the Board of Directors who is personally in any way, whether directly or indirectly, interested in a transaction, contract or proposed contract, to which the Company is a party, shall declare the nature of his interest at a Meeting of the Board of Directors and he shall not be entitled to participate in the voting pertaining to matters related to such transaction or contract, unless otherwise decided by the Meeting of the Board of Commissioners.

THE BOARD OF COMMISSIONERS

Article 12

1. The Board of Commissioners shall consist of a minimum of 3 (three) and a maximum of 7 (seven) members. The composition of the Board of Commissioners is as follows:
 - a. 1 (one) President Commissioner;
 - b. minimum of 2 (two) Commissioners and maximum of 6 (six) Commissioners.
2. 2 (two) members of the Board of Commissioner designated by the Meeting of the Board of Commissioners shall be entitled to act for and on behalf of the Board of Commissioners.
3. Subject to the provisions of paragraphs 4, 5, 6 and 7 of this Article 12 the members of the Board of Commissioners shall be appointed by the General Meeting of Shareholders for a period as from the date of their appointment as resolved at a General Meeting of Shareholders until the closing of the fifth Annual General Meeting of Shareholders after the date of their appointment, and after their term of office has expired they may be immediately re-elected.
4. A member of the Board of Commissioners may be dismissed at any time even before the expiration of his term of office by a General Meeting of Shareholders.
5. The General Meeting of Shareholders may appoint another person in place of a member of the Board of Commissioners removed from office under paragraph 4 of this Article 12.

A person appointed in place of a member of the Board of Commissioner removed pursuant to paragraph 4 of this Article 12 or to fill said vacancy, or a person appointed in addition to the existing members of the Board of Commissioners, shall be appointed for a period of time constituting the remaining term of office of the other incumbent members of the Board of Commissioners.

6. A member of the Board of Commissioners may resign from his office upon giving at least 30 (thirty) days notice in writing to the Company of his intention to do so.
A resigning member of the Board of Commissioners shall only be discharged from his responsibility after a General Meeting of Shareholders has accepted his resignation.
7. The term of office of a member of the Board of Commissioners shall automatically terminate if such member of the Board of Commissioners :
 - a. is declared bankrupt or a court decision is issued that he is put under custody; or
 - b. is removed as provided in paragraph 4 of this Article 12; or
 - c. becomes prohibited from being a member of the Board of Commissioners under the provision of the prevailing regulations having the force of law; or
 - d. resigns from his office by written notification provided in paragraph 6 of this Article 12; or
 - e. passes away.
8. The members of the Board of Commissioners may receive such per diems or honoraria as determined by a General Meeting of Shareholders.
9. When the post of a member of the Board of Commissioners becomes vacant, then a General Meeting of Shareholders shall be held within 6 (six) months after such vacancy occurs, to fill said vacancy.

DUTIES AND POWERS OF THE BOARD OF COMMISSIONERS

Article 13

1. The Board of Commissioners is charged with the duty to supervise the management of the Company by the Board of Directors.
2. The members of the Board of Commissioners both singly or jointly have the right to enter the buildings, offices and premises used by the Company and have the right to inspect the records and documents as well as the assets of the Company for exercising their duties.
3. The Board of Directors shall give all pertinent information about the Company as required by the Board of Commissioners for exercising their duties.

4. At any time the Meeting of the Board of Commissioners may suspend a member(members) of the Board of Directors from his(their) office(s) when he(they) has(have) committed acts violating these Articles of Association or harmful to the objects and purposes of the Company or he(they) neglects (neglect) his(their) duties.
5. After the suspension the Board of Commissioners shall call an Extraordinary General Meeting of Shareholders, which shall be held within 3 (three) months as of the date of such suspension and shall be presided over by the President Commissioner, in case of absence or inability of the President Commissioner, of which impediment no evidence to other parties shall be required, the Meeting shall be presided over by one of the members of the Board of Commissioners and notice shall be given in accordance with the provisions set forth in Article 19 hereinbelow.
Such Meeting shall only be entitled and shall have the power to decide whether or not the suspended member(s) of the Board of Directors shall be dismissed after having summoned the suspended member(s) of the Board of Directors and after having given him(them) ample opportunity to submit any defence refuting the charges against him(them).
6. In case such Extraordinary General Meeting of Shareholders has not been held within a period of 3 (three) months as from the stipulated date of such suspension, then the suspension shall cease automatically.
7. In case all members of the Board of Directors are suspended or in case for whatever reason there is no member of the Board of Directors at all, the Board of Commissioners shall manage the Company temporarily without prejudice to the provision in paragraph 9 of Article 9 of the Articles of Association of the Company.
In such case the Board of Commissioners shall be entitled to empower 1 (one) or more members of the Board of Commissioners to manage the Company and to act on behalf of and to represent the Company.

MEETING OF THE BOARD OF COMMISSIONERS

Article 14

1. The Meeting of the Board of Commissioners shall be chaired by the President Commissioner.
If the President Commissioner is absent or for any reason whatsoever does not attend the Meeting, of which impediment no evidence to other parties shall be required, the Meeting shall be presided over by one of the Commissioners elected by the members of the Board of Commissioners present and/or represented at the Meeting.

2. The Meeting of the Board of Commissioners may be convened at any time and when deemed necessary by the President Commissioner or by any 2 (two) members of the Board of Commissioners or by a Meeting of the Board of Directors or by shareholders representing at least 30 % (thirty per cent) of the total issued shares of the Company, provided that written notice for the Meeting shall be delivered against proper receipt or shall be sent by registered mail or by telegram or telex (if sent by telegram or telex, a written confirmation shall be given as soon as practical) at least 10 (ten) days before the Meeting is to be held excluding the date of the notice and the date of the Meeting. If all the 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 designated by those calling the Meeting, provided that the place of the Meeting shall be at the legal domicile of the Company or at another place in the territory of the Republic of Indonesia as determined by the Board of Commissioners.
4. The Meeting of the Board of Commissioners shall only be legal and may take lawful and binding decision if more than 50 % (fifty per cent) of the total incumbent members of the Board of Commissioners are present and/or represented.
5. Resolution of the Meeting of the Board of Commissioners shall be adopted based on the same being approved by more than 50 % (fifty per cent) of the total incumbent members of the Board of Commissioners.
6. Each member of the Board of Commissioners has the right to cast 1 (one) vote and in addition 1 (one) vote for each other member of the Board of Commissioners he represents.
7. Blank votes and void votes shall be considered not having been cast and thus being non-existent and shall not be counted in determining the total votes cast in the Meeting of the Board of Commissioners.
8. Minutes of the Meeting of the Board of Commissioners shall be drawn up by someone present at the Meeting designated by the Chairman of the Meeting and shall then be signed by the Chairman of the Meeting and by one of the members of the Board of Commissioners or by a representative or proxy of a member of the Board of Commissioners designated at the Meeting concerned for such purpose to verify the completeness and accuracy of the minutes. If the minutes are drawn up by a notary, such signatures shall not be required.
9. The minutes of the Meeting of the Board of Commissioners made and signed in accordance with the provisions of paragraph 8 of this Article shall serve as legal

evidence both for members of the Board of Commissioners, and for other parties concerning resolutions of the Board of Commissioners taken at the Meeting concerned.

10. A member of the Board of Commissioners may be represented at the Meeting of the Board of Commissioners only by another member of the Board of Commissioners by virtue of a written power of attorney.
11. Any member of the Board of Commissioners who is personally in any way, whether directly or indirectly, interested in a transaction contract or proposed contract to which the Company is a party, shall declare the nature of his interest to the other members of the Board of Commissioners and shall not be entitled to vote on any proposal or resolution relating to such transaction or contract, unless otherwise agreed by a Meeting of the Board of Commissioners.
12. The Board of Commissioners may also pass lawful and binding resolutions without convening a Meeting of the Board of Commissioners, provided that all members of the Board of Commissioners have been notified in writing about the proposal concerned and more than 50 % (fifty per cent) of the total incumbent members of the Board of Commissions have approved the proposal concerned by executing a written consent. Decisions of the Board of Commissioners so adopted shall have the same legal effect as decisions adopted in a Meeting of the Board of Commissioners.

ACCOUNTING YEAR AND ACCOUNTS Article 15

1. The accounting year of the Company shall commence on the first day of January and end on the thirty-first day of December of the same year.
2. From the closing of the Company's book, a balance sheet, a profit and loss account and such other financial statements as shall be deemed necessary or useful by the Board of Directors shall be prepared together with the annual report of the Board of Directors. The balance sheet, profit and loss account and other parts of the financial statement shall, after having been audited by a public accountant designated by a General Meeting of Shareholders, be signed on behalf of the Board of Commissioners. Such documents shall be made available at the Company's office for inspection by the shareholders as from the date of notification that the Annual General Meeting of Shareholders will be convened as referred to in paragraph 2 of Article 19 hereinbelow. Copies of such documents shall be sent to the shareholders at their written request, which request shall be received at the head office of the Company at least 14 (fourteen) days prior to the date of the Annual General Meeting of Shareholders.

3. The Annual General Meeting of Shareholders shall adopt the resolution on the approval of the balance sheet and profit and loss account of the Company in accordance with these Articles of Association. The approval of the balance sheet and profit and loss account by the General Meeting of Shareholders shall fully discharge the Board of Directors from its management liabilities, and shall fully discharge the Board of Commissioners from the responsibility for its supervisory actions performed during the accounting year related to such approved balance sheet and profit and loss account, to the extent such actions are reflected in the said balance sheet and profit and loss account, except for fraud, embezzlement and any other criminal acts.

GENERAL MEETING OF SHAREHOLDERS

Articles 16

1. There are 2 (two) kinds of General Meetings of Shareholders:
 - a. the Annual General Meeting of Shareholders is the General meeting of Shareholders mentioned in Article 17 hereinbelow;
 - b. the Extraordinary General Meeting of Shareholders are all General Meetings of Shareholders other than the annual General Meeting of Shareholders.
2. "General Meeting of Shareholders" shall mean in these Articles of Association both Annual and Extraordinary General Meeting of Shareholders except if expressly indicated otherwise.
3. Unless otherwise provided in these Articles of Association as referred to in Articles 24 of these Articles of Association, a General Meeting of Shareholders shall be lawful and shall be entitled to adopt lawful and binding decisions only if there are present and/or represented at the Meeting by proxy, shareholders representing more than 50% (fifty per cent) of the shares of the Company.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Articles 17

The Annual General Meeting of Shareholders shall be held once a year not later than the end of the month of July every year, in which Meeting:

- a. the Board of Directors shall report on the affairs of the Company and the financial administration of the completed accounting year;
- b. the audited balance sheet and profit and loss account of the completed accounting year shall be submitted for approval by the Meeting;
- c. appropriation of earnings of the completed accounting year and undistributed profits of the preceeding accounting years shall be determined and approved.
- d. if necessary, members of the Board of Directors and members of the Board of Commissioners shall be elected and remunerations of the members of Commissioners and the members of the Board of Directors shall be determined;

- e. a public accountant shall be appointed;
- f. such other matters shall be resolved as may be properly brought up before the Meeting in accordance with these Articles of Association.

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Article 18

The Board of Directors may call, whenever it may deem necessary, an Extraordinary General Meeting of Shareholders, and the Board of Directors is obliged to call an Extraordinary General Meeting of Shareholders upon the written request of one or more shareholders representing at least 40 % (forty per cent) of the total number of subscribed and issued shares of the Company, or upon the written request of the Board of Commissioners, stating in such request the matters to be dealt with. If the Board of Directors fails to call such Extraordinary General Meeting of Shareholders within 3 (three) months after receipt of such request, the shareholders or the members of the Board of Commissioners signing such request shall be entitled to call such Meeting at the expense of the Company with due observance of the provisions stipulated in these Articles of Association, at which Meeting the Chairman of Meeting shall be elected by and from amongst those present, and all decisions at such Meeting shall be lawful and binding on the Company, provided all requirements in these Articles of Association with respect to quorum and voting requirements for the particular subject matter of the proposed resolutions are properly fulfilled.

PLACE AND NOTICE OF GENERAL MEETING OF SHAREHOLDERS

Article 19

1. Without prejudice to other provisions in the Articles of Association of the Company, General Meeting of Shareholders shall be held at the legal domicile of the Company.
2. At least 30 (thirty) days prior to the giving of notice for a General Meeting of Shareholders, the party entitled to give the notice shall notify the shareholders by placing an advertisement in at least 2 (two) daily newspapers in the Indonesian language with wide circulation, that a General Meeting of Shareholders will be held.
3. Notice of the General Meeting of Shareholders shall be given to the shareholders by an advertisement in at least 2 (two) daily newspapers in the Indonesian language published in the legal domicile of the Company and with wide circulation in Indonesia as determined by the Board of Directors or the Board of Commissioners, and those with registered addresses outside Indonesia by telegram, facsimile or telex (if sent by telegram, or telex a written confirmation shall be sent by airmail as soon as practicable) or by registered letter. Notice of an Extraordinary General Meeting of Shareholders shall be given at least 14

(fourteen) days before the date of the Extraordinary General Meeting of Shareholders, whereas notice for an Annual General Meeting of Shareholders shall be given not less than 21 (twenty-one) days before the date of Annual General Meeting of Shareholders, excluding the date of the notice and the date of the Meeting.

4. The notice shall state the place, date and time as well as the agenda of the Meeting and notices for an Annual General Meeting of Shareholders shall be accompanied by a notification that the balance sheet and profit and loss statement for the preceding accounting year are available for inspection by the shareholders at the head office of the Company as from the date of the notification mentioned in paragraph 2 of this Article, and that copies of the balance sheet and profit and loss account for the preceding accounting year can be obtained from the Company upon written request of the shareholders, such request shall be received at the head office of the Company at least 14 (fourteen) days before the Annual General Meeting of Shareholders concerned. Without prejudice to other provisions in these Articles of Association, notice shall be given by the the Board of Commissioners in such manner as provided in these Articles of Association.
5. If all shareholders are present and / or represented at a General Meeting of Shareholders, prior notification and notice shall not be required, and the Meeting may be held anywhere in the territory of the Republic of Indonesia and shall be entitled to take binding decisions.
6. Proposal by shareholders shall be included in the agenda of a General Meeting of Shareholders if :
 - a. the proposal concerned has been submitted in writing to the Board of Directors by 1 (one) or more shareholders representing at least 30 % (thirty per cent) of the total number of shares issued by the Company.
 - b. they have been received at least 14 (fourteen) days prior to the giving of notice for the Meeting concerned ; and
 - c. the proposal is in the opinion of the Board of Directors directly relevant to the business of the Company and with due regard to the other provisions in these Articles of Association.

CHAIRMANSHIP AND MINUTES OF THE GENERAL MEETING OF SHAREHOLDERS Article 20

1. Any and all General Meeting of Shareholders shall be presided over by the President Director, in case the President Director is absent or unable to attend the Meeting, of which impediment no evidence to other parties shall be required, the

Meeting shall be presided over by one of the Directors, and if there is no member of the Board of Directors at all present, the Meeting shall be presided over by the President Commissioner and if the President Commissioner is not present or unable to attend the Meeting, of which impediment no evidence to other parties shall be required, the Meeting shall be presided over by a Commissioner, and should there be no member of the Board of Commissioners at all present, the Meeting shall be presided over by a person elected from among those present.

2. The Chairman of the Meeting shall be entitled to request those persons present at the Meeting to furnish proof of their rights to attend the Meeting concerned.
3. Minutes of the Meeting shall be drawn up by someone present and designated by the Chairman of the Meeting and shall be signed by the Chairman of the Meeting and 1 (one) shareholder or the proxy of a shareholder who has been designated for that purpose by the Meeting. If the minutes are drawn up by a notary the signatures mentioned above shall not be required. Such minutes shall serve as valid evidence of all resolutions adopted in the Meeting concerned and of the events which happened in the Meeting concerned for all shareholders and other parties.

RESOLUTION AND VOTING RIGHT Article 21

1. Unless otherwise provided in these Articles of Association all resolutions shall be adopted on the basis of a majority of votes lawfully cast.
2. Each share shall grant to its holder the right to cast 1 (one) vote.
3. Voting concerning persons shall be by unsigned and sealed ballot paper, unless the Chairman of the Meeting permits another manner of voting, if there is no statement of objection from anyone present and entitled to cast votes. Voting concerning other matters shall be oral, unless at least 5 (five) shareholders jointly representing at least 30% (thirty per cent) of the total number of shares issued by the Company, request a secret ballot.
4. In case of a tie vote, if the voting concerns persons, it shall be done by drawing lots; if it concerns other matters, the proposal shall be deemed to have been rejected.
5. Any matter to be put forward by the shareholders during discussions or voting in a General Meeting of Shareholders shall fulfil all of the following requirements:
 - a. said matters shall be directly connected with one of the agenda items of the Meeting concerned; and

- b. said matters shall be put forward by the shareholders representing at least 30 % (thirty per cent) of the total issued shares of the Company; and
 - c. the proposal shall be in the opinion of the Board of Directors directly relevant to the business of the Company. Proposal for election of members of the Board of Commissioners and the Board of Directors shall have been submitted to the Board of Directors at least 7 (seven) days prior to the Meeting.
6. Shareholders may be represented at a General Meeting of Shareholders by another person by virtue of a proxy, but the members of the Board of Directors, members of the Board of Commissioners and employees of the Company are not allowed to act as proxies of shareholders of the Company at a General Meeting of Shareholders and for the casting of votes at a General Meeting of Shareholders. Votes cast by them as proxies shall not be valid.
The proxy shall be made and signed in the form as determined by the Board of Directors of the Company without prejudice to prevailing regulations having the force of law with respect to evidence in civil law, and shall be submitted to the Board of Directors at least 3 (three) working days before the date of the General Meeting of Shareholders concerned.
 7. Shareholders may also take lawful and binding decisions without convening a General Meeting of Shareholders, provided the proposal concerned has been notified in writing to all shareholders of the Company and all shareholders have approved the proposal concerned by giving a signed statement to evidence their approval. Such decision shall be considered having the same legal effect as a decision adopted at a General Meeting of Shareholders.
 8. Blank votes and void votes shall be considered not having been cast and thus being non-existent and shall not be counted in determining the total votes cast.

APPROPRIATION OF PROFIT

Articles 22

1. The Meeting of the Board of Directors shall submit to the Annual General Meeting of Shareholders such proposal relating to the appropriation of the net earnings as specified in the financial statements submitted for approval of the Annual General Meeting of Shareholders, in which proposal may be stated how much the undistributed earnings can be used as a reserve fund referred to in Article 23 hereinbelow.
2. Dividends shall be paid only in accordance with a resolution adopted at General Meeting of Shareholders, which resolution shall also determine the time and manner of payment of the dividends, with due observance of the prevailing regulations of the Indonesian Stock Exchange, at the places where the shares of

the Company are registered.

A dividend for a share shall be payable to the person in whose name the share is entered in the register of shareholders, on a business day to determined by or on the authority of the General Meeting of Shareholders at which the resolution for the distribution of dividends is adopted. The payment day shall be notified to all shareholders by the Board of Directors. Paragraph 3 of Article 19 shall apply mutatis mutandis to such notification.

3. The Board of Directors may, by resolution of the Meeting of the Board of Directors, declare such interim dividends as they consider appropriate, taking into consideration the financial position of the Company, provided that such interim dividends shall be offset against the dividends which will be declared by a resolution at the next Annual General Meeting of shareholders adopted in accordance with the provisions in these Articles of Association.
4. Taking into consideration the Company's income in the accounting year concerned, from the net earnings as referred to in the approved balance sheet and profit and loss account and after having deducted the income tax, may be given tantieme to the members of the Board of Directors and the Board of Commissioners, the amount of which shall be determined by the General Meeting of Shareholders.
5. In case the account of profit and loss in 1 (one) accounting year shows a loss which cannot be covered by the reserve fund as referred to in Article 23 hereinbelow or unappropriated profits from prior years, the loss shall remain recorded as such in the 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 as such in the profit and loss statement has not been fully covered, without prejudice to the prevailing regulations having the force of law.
6. Dividends left unclaimed after 5 (five) years counted from the day they are payable shall cease to be payable and shall be credited to the profit and loss account of the Company.

RESERVE FUNDS

Article 23

1. To cover future losses a 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 and upon recommendation of the Board of Directors.
2. The reserve fund may be used for capital outlays or for other purposes as decided by the General Meeting of Shareholders in accordance with these Articles of Association, but only for the benefit of the Company.

3. Subject to decisions of the General Meeting of Shareholders in accordance with Articles of Association, the Board of Directors shall administer the reserve fund and endeavor that such reserve fund shall make a profit.
Any profit earned from such reserve fund shall be entered in the profit and loss account.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Articles 24

1. Amendment to these Articles of Association including change of name, domicile, objects and purposes of the Company, liquidation of the Company prior to the expiration of the period referred to in Article 3 hereinabove, extension of the said period, increases or reduction in the Company's authorized capital (a resolution regarding reduction of the authorized capital shall be published by the Board of Directors in the State Gazette of the Republic of Indonesia and 1 (one) or more daily newspapers in the Indonesian language circulating in the domicile of the Company for the benefit of the creditors) can be effected only by a resolution of a General Meeting of Shareholders, at which Meeting shareholders representing at least 2/3 (two thirds) of the total shares issued by the Company are present and/or represented under the following conditions:
 - a. if in said Meeting are represented exactly 2/3 (two thirds) of the total shares issued by the Company, such resolution shall be adopted by unanimous vote by the shareholders present and/or represented in the Meeting; or
 - b. if in said Meeting are represented more than 2/3 (two-thirds) of the total shares issued by the Company, such resolution shall be adopted on the basis of affirmative votes of the shareholders present and/or represented in the Meeting representing at least 2/3 (two thirds) of the total shares issued by the Company.
2. If in the Meeting referred to in the previous paragraph the number of shares represented is not sufficient to reach the quorum stipulated hereinabove, then within 21 (twenty-one) days and not sooner than 7 (seven) days thereafter, a Meeting may be convened for the second time under same conditions as the first Meeting, at which Meeting decisions may be made on resolutions proposed in the first Meeting, such resolutions shall be adopted on the basis of affirmative votes of the majority of the shareholders present and/or represented in the meeting.
3. All the above shall be without prejudice to the approval of the appropriate authorities as required by law.

IMPLEMENTATION OF LIQUIDATION

Article 25

1. In the event a resolution of the General Meeting of Shareholders is adopted to liquidate the Company, the liquidation shall be carried out by the Board of Directors, unless the General Meeting of Shareholders shall determine otherwise.
2. The decision to liquidate must be registered at the office of the Registrar of the appropriate District Court ("Kantor Panitera Pengadilan Negeri") concerned and must be announced in the State Gazette of the Republic of Indonesia and in at least 2 (two) daily newspaper in the Indonesian language with national circulation together with a notice thereof to the creditors.
3. The Articles of Association as set forth in this deed or in later amendments shall remain in force until the date the accounts of the liquidation are lawfully ratified at a General Meeting of Shareholders based on the approval of a majority of votes cast and a full discharge of responsibility is given to all liquidators.
4. The balance of the liquidation account shall be divided among the shareholders, each receiving the part in proportion to the fully paid up nominal value of the shares they respectively own.

MISCELLANEOUS PROVISIONS

Article 26

1. Regarding the implementation of the Articles of Association the shareholders of the Company shall be deemed having chosen permanent and general domicile at their respective addresses as registered in the register of the shareholders.
2. All matters that are not provided for or not adequately covered in these Articles of Association shall be decided by the General Meeting of Shareholders in accordance with these Articles of Association, subject to the approval of the shareholders representing more than 50% (fifty per cent) of the total shares issued by the Company.

XV. TAXATION

Income tax on share dividends shall be imposed in accordance with the prevailing law and regulations. Pursuant to the Decree of the Minister of Finance of the Republic of Indonesia No. 250/KMK.011/1985 dated March 6, 1985, as amended by the Decree of the Minister of Finance of the Republic of Indonesia No. 1033/KMK.013/1988 dated October 20, 1988, the earnings of Pension Funds which have been approved by the Minister of Finance of the Republic of Indonesia shall not be deemed taxable income for income tax purposes if received or obtained from investments, including shares listed on the Capital Market in Indonesia.

XVI. RISK FACTORS

A significant adverse economic condition in all sectors of the Indonesian economy will have a significant adverse impact on the Company's activities. However, because the Company owns its heavy machinery, and after the Public float will not be a borrower of funds from bankers or the Parent Company, it could minimize this adverse impact by reducing workforce levels to suit a lower activity level.

Some highly unlikely but technically possible other risks are.

RISKS

Reduction in activity in the oil & gas industry and mining services especially in coal mining and tin will effect the activities of the Company which will then effect the profitability of the Company.

Stoppage of technical assistance from the Parent Company especially in the forms of experienced personnel, engineering, and/or financial backing could effect the ability of the Company in managing future projects.

More competition arising from competitors submitting lower tender bids in order to increase their market share while not being concerned with profit.

MINIMIZATION

The Parent Company will give strong financial backing to maintain the solvency and existence of the Company as it did during the oil & mining industry recession that occurred in 1985 - 1987.

The Parent Company has a major interest in the development of the Company therefore the technical assistance, engineering and financing will continue to be given considering the Parent Company is the largest shareholder of the Company.

The Company's reputation which has been achieved during more than 18 years of experience in the oil & gas and mining sectors and has maintained a close relationship with its clients in those sectors and the works successfully completed have built a trust in the Company. The additional assistance from the Parent Company has added a competitive edge to the Company in the sectors mentioned above.

XVII. DISTRIBUTION OF THE PROSPECTUS AND SHARE PURCHASE APPLICATION FORMS.

Prospectus and Share Purchase Application Forms may be obtained from the Underwriters and appointed Sales Agents, comprising Stock Brokers, Traders listed as members of Stock Exchanges in Indonesia.

UNDERWRITERS

P.T. MULTINATIONAL FINANCE CORPORATION (MULTICOR)
Wisma BCA, Lt. 12
Jl. Jend. Sudirman Kav. 22-23, Jakarta
Telp. 5781450

P.T. JARDINE FLEMING NUSANTARA
4 FL. Wisma Dharmala Sakti
Jl. Jendral Sudirman 32
Jakarta, 10220, Indonesia

P.T. ASEAM INDONESIA (ASEAM)
Bank Bumi Daya Plaza, Lt. 16
Jl. Imam Bonjol No. 61, Jakarta
Telp. 321932

P.T. BUANAMAS INVESTINDO
Wisma Antara Lt. 14 Kamar 1402
Jl. Medan Merdeka Selatan 17
Telp. 347581, 347582

P.T. WARDLEY JAMES CAPEL INDONESIA
Gedung Bina Mulia, Lt 6
Jl. H.R. Rasuna Said Kav. 31, Jakarta
Telp. 5201919

P.T. INDONESIAN FINANCE AND INVESTMENT COMPANY (I.F.I.)
Chase Plaza
Jl. Jend. Sudirman Kav. 21, Jakarta
Telp. 5700170, 5700148

P.T. DEEMTE ARTHA DHARMA
Wisma Dharmala Sakti, Lt 19
Jl. Jend. Sudirman No. 32, Jakarta
Telp. 543702

P.T. BENUA UTAMA SECURITIES COMPANY
Jl. K.H. Wahid Hasyim No. 84-88,
Jakarta 10340
IBEC, Building Lt. 3
Telp. 323884

P.T. INDONESIAN INVESTMENTS INTERNATIONAL (INDOVEST)
Menara BDN, Lt. 24
Jl. Kebon Sirih No. 83, Jakarta
Telp. 3801985

P.T. INTER-PACIFIC FINANCIAL CORPORATION (INTER-PACIFIC)
Wisma Metropolitan II, Lt. 9
Jl. Jend. Sudirman Kav. 31, Jakarta
Telp. 5781095, 5781837

P.T. MERCHANT INVESTMENT CORPORATION (MERINCORP)
Summitmas Tower, Lt. 21
Jl. Jend. Sudirman Kav. 61-62,
Jakarta
Telp. 5780808

BANK PEMBANGUNAN INDONESIA (BAPINDO)
Jl. R.P. Suroso No. 2-4,
Jakarta
Telp. 321908

P.T. MUTUAL INTERNATIONAL FINANCE CORPORATION (M.I.F.C.)
Wisma Nusantara, Lt. 17
Jl. M.H. Thamrin No. 59,
Jakarta
Telp. 331108

P.T. DUTA SECURINVEST INDONESIA
Kartika Chandra Office Building 6th Fl,
Room 609
Jl. Jend. Gatot Subroto, Jakarta 10270
Telp. 5202337

P.T. MITRA DUTASEKURITAS
Gedung Bank Duta
Jl. Kebon Sirih 112, Jakarta
Telp. 3800900

P.T. PENTASENA ARTHASENTOSA
Anex House, Lt. II
Jl. Melawai Raya No. 7
Kebayoran Baru, Jakarta
Telp. 7205229, 7205239

SELLING AGENT IN JAKARTA STATE BANK

BANK BUMI DAYA
Jl. Imam Bonjol No. 61
Jakarta
Telp. 333721
dan cabang-cabangnya yang ditunjuk

BANK BNI
Jl. Lada No. 1, Jakarta
Telp. 6901265, 6901257
dan cabang-cabangnya yang ditunjuk

BANK DAGANG NEGARA
Menara BDN
Jl. Kebon Sirih 83, Jakarta
Telp. 3800800
dan cabang-cabangnya yang ditunjuk

BANK EKSPOR IMPOR INDONESIA
Jl. Lapangan Banteng No. 1, Jakarta
Telp. 673122
dan cabang-cabangnya yang ditunjuk

BANK RAKYAT INDONESIA
Gedung BRI
Jl. Jend. Sudirman Kav 42-43
Jakarta
Telp. 587051, 586111
dan cabang-cabangnya yang ditunjuk

PRIVATE BANKS

P.T. BANK BALI
Jl. Hayam Wuruk No. 84-85
Jakarta
Telp. 6498006

P.T. BANK BUANA INDONESIA
Jl. Asemka No. 32-35, Jakarta
Telp. 672901, 672045

P.T. BANK CENTRAL ASIA
Jl. Asemka 24-26, Jakarta
Telp. 671482, 672045

P.T. BANK CENTRAL DAGANG
Jl. K.H. Wahid Hasyim No. 174
Jakarta
Telp. 331751, 361807

P.T. BANK DAGANG NASIONAL INDONESIA
Wisma Hayam Wuruk
Jl. Hayam Wuruk No. 8
Jakarta
Telp. 360211, 380568

P.T. BANK HARAPAN SANTOSA
Gajah Mada Plaza
Jl. Gajah Mada, Jakarta
Telp. 358270

P.T. BANK INTERNATIONAL INDONESIA
Jl. Ir. H. Juanda 37-38
Jakarta
Telp. 377686

P.T. LIPPOBANK
Lippo Center
Jl. H.R. Rasuna Said Kav. B-10, Jakarta
Telp. 5207008, 516177,
5207322, 511037

P.T. BANK NIAGA
Jl. M.H. Thamrin No. 55
Jakarta
Telp. 373647

P.T. OVERSEAS EXPRESS BANK
Jl. Pecenongan No. 84, Jakarta
Telp. 358103, 358824

P.T. BANK SERVITIA
Jl. Kopi No. 40-50
Jakarta
Telp. 6901919

P.T. SOUTH EAST ASIA BANK
Jl. Asemka No. 16-17
Jakarta
Telp. 672197, 672550

P.T. BANK SUMMA
Jl. Pintu Besar Selatan No. 75
Jakarta
Telp. 675081

P.T. BANK PERKEMBANGAN ASIA
Jl. Hayam Wuruk 102, Jakarta
Telp. 6491788

P.T. BANK SURYA
Kuningan Plaza-North Tower
Jl. H.R. Rasuna Said Kav. C.11-14, Jakarta
Telp. 5201445

P.T. PAN INDONESIA BANK
LTD.
Gedung Panin. Lt. Dasar
Jl. Jend. Sudirman
Telp. 7394545

P.T. BANK UMUM NASIONAL
Jl. Prapatan No. 50
Jakarta
Telp. 3655563

STOCKBROKERS AND TRADERS

P.T. ADIDHANA PERDANA
Ged. Danareksa
Jl. Medan Merdeka Selatan 13, Jakarta

P.T. AGRIDHANASATYA
PERMATA
Jl. Kali Besar Barat No. 55 GG
Jakarta Telp. 6905129

P.T. AKSARA KENCANA
Jl. Prapatan No. 20
Jakarta
Telp. 348198

P.T. AMSINDO NUSANTARA
Jl. Jend. Gatot Subroto No. 177
Jakarta
Telp. 8298750

P.T. ANEKA KELOLADANA
Mid Plaza, Lt. 8
Jl. Jend. Sudirman Kav. 10-11
Jakarta
Telp. 5780797

P.T. ANTAR DHANAMASA
Majapahit Permai Blok A/108
Jl. Majapahit
Jakarta
Telp. 345594, 345578

P.T. APERDI
Gedung Bursa Lt. 3
Jl. Medan Merdeka Selatan No. 14
Jakarta
Telp. 353054, 365509
psw. 184/187

P.T. BAHAMAS SECURINDO
Menara BDN Lt. 10
Jl. Kebon Sirih No. 83. Jakarta
Telp. 3800353

P.T. BERSEPINDO UTAMA
Gedung Tifa, Lt. 5
Jl. Kuningan Barat No. 26, Jakarta
Telp. 511373

P.T. BETAMAS INTIMULIA
Jl. Letjen. S. Parman Kav. 32-34
Jakarta
Telp. 5601560, 5482308

P.T. BINAARTHA PARAMA
Setiabudi Building I, Lt. 4
Jl. H.R. Rasuna Said, Jakarta
Telp. 5207538

P.T. BINA TATA LAKSANA
PACIFIC
The Landmark Centre, Lt. 23
Jl. Jend. Sudirman No. 1, Jakarta
Telp. 5780124, 5780514

P.T. BORUSIA
Jl. Usaha No. 31, Cawang, Jakarta

P.T. CITRAMAS SECURINDO
Wisma Metropolitan I/11
Jl. Jend. Sudirman Kav. 29, Jakarta
Telp. 510609, 5207123

P.T. DANADUTA INDONESIA
Jl. Otto Iskandardinata No. 39
Jakarta 13330
Telp. 8193425

P.T. DANATAMA MAKMUR
Gedung Danareksa Lt. 2
Jl. Medan Merdeka Selatan
No. 13 Jakarta
Telp. 3801928, 3801929

P.T. DANATUNGGA UTAMA
Gedung Bursa Lt. 3
Jl. Medan Merdeka Selatan 14, Jakarta
Telp. 360408

P.T. DANINDO MASYARAKAT
ANINDITA
Jl. Majapahit No. 18-22, Jakarta
Telp.

P.T. DAYAMULIA SEKURINDO
Kom. Duta Anggada
Jl. K.H. Zainul Arifin No. 74,
Jakarta

P.T. DEEMTE ARTADHARMA
Wisma Dharmala Sakti, Lt. 19
Jl. Jend. Sudirman Kav. 32
Jakarta
Telp. 543702

P.T. DHANAMAS BUANA
WIRASTA
Gedung Bursa Lt. 3
Jl. Medan Merdeka Selatan No. 14
Jakarta
Telp. 365509 psw. 181

P.T. DHARMALA ARTHA
SEJAHTERA
Komp. Majapahit Permai
Blok B No. 04-06, Jakarta
Telp. 341021

P.T. EFERINDO AGUNG
Gedung Bank Niaga, Lt. 7
Jl. M.H. Thamrin No. 55
Jakarta
Telp. 330507, 332007

P.T. ERDHIKA MULYATAMA
Jl. Gajah Mada 184,
Jakarta
Telp. 6296208

P.T. FINAN CORP INDO NUSA
Wisma Antara. Lt. 5
Jl. Medan Merdeka Selatan No. 17
Jakarta
Telp. 3483886, 343089

P.T. HARUM DANA SEKURITAS
Jl. Pedati 14, Jakarta
Telp. 8194256

P.T. INTAN ARTHA EXCHANGE CO
Gedung Bursa Lt. 3
Jl. Medan Merdeka Selatan No. 14
Jakarta
Telp. 34758, 349002

P.T. INTERKOMARTA JASA
Gedung Bursa, Lt. 3
Jl. Medan Merdeka Selatan No. 14
Jakarta
Telp. 365509 psw. 179, 370064-65

P.T. INTERINDO DANAPRAYA
Jl. Kebon Jeruk VII No. 26, Jakarta
Telp. 6398738

P.T. INTI FIKASA SECURINDO
Jl. Raya Mangga Besar No. 146
Jakarta
Telp. 6299081, 6390393

P.T. JARDINE FLEMING
NUSANTARA FINANCE
Wisma Dharmala Sakti, Lt. 4
Jl. Jend. Sudirman Kav. 32, Jakarta
Telp. 5701917

P.T. JASEREH UTAMA
Jl. Alam Asri VI/20, Pondok Indah
Jakarta
Telp. 7500785
Gd. bursa Lt. 3
Jl. Medan Merdeka Selatan 14, Jakarta
Telp. 3100576

P.T. KAPITA SEKURINDO
Kompleks Harmoni Plaza B-25
Jl. Suryopranoto No.2, Jakarta
Telp. 342527

P.T. KOLIBINDO PERKASA
Enseval Building
Jl. Letjen. Suprpto, Jakarta
Telp. 413908

P.T. LIPPIN SECURITIES
Centerpoint Building
Jl. Gatot Subroto Kav. 33-35, Jakarta

P.T. LUMBUNG PERSADA
KAHTULISTIWA
Wisma Rajawali, Lt. 7
Jl. Jend. Sudirman No. 34, Jakarta
Telp. 588965

P.T. MAKINDO
Gedung Bursa, Lt. 3
Jl. Medan Merdeka Selatan No.14
Jakarta
Telp. 359707, 359927

P.T. MITRA DUTASEKURITAS
Gd. Bank Duta
Jl. Kebon Sirih 112, Jakarta
Telp. 3800900

P.T. MITRA TATADHANA
Gedung Bursa, Lt. 3
Jl. Medan Merdeka Selatan No. 14
Jakarta
Telp. 362481

P.T. MUARA LENTERA MITRA
Jl. Lautze 22 K, Jakarta
Telp. 370910

P.T. MULTI DANAMEKAR
Jl. Kwitang Raya 10, Lt. 4 Jakarta
Telp. 320880

P.T. MURNI SEGARA LESTARI
Gedung Bursa , Lt. 3
Jl. Medan Merdeka Selatan No. 14
Jakarta
Telp. 377149, 365509 psw. 174

P.T. ORIENTAMA
INTI SECURITAS
Jl. Gajah Mada 3 Blok A, Jakarta
Telp. 374450

P.T. PRASASTA PAPERASIA
Gedung IRTI Lt. 3
Jl. Medan Merdeka Selatan, Jakarta
Telp. 347831

P.T. PRATAMA
PENAGANARTA
Jl. Kemang Raya No. 98,
Jakarta
Telp. 7999844, 7980151, 7980152

P.T. PRIMA INVESEINDO
Jl. PLN Duren Tiga No. 38 A
Jakarta
Telp. 7981369, 7981370

P.T. RAMAYANA ARTHA
PERKASA
Kompleks Ketapang Indah
Blok b3/19
Jl. K.H. Zainul Arifin, Jakarta
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6596551

P.T. RAVINDO SECURITAMA
Wisma Antara Lt. 14
Jl. Medan Merdeka Selatan No. 17
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P.T. RITA WIJAYA KENCANA
Jl. K.H. Wahid Hasjim No. 84-86
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Telp. 330180

P.T. SUCORINVEST CENTRAL
GANI
Kompleks Duta Merlin
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Telp. 375638

P.T. TRIPANCA MULIA
Jl. Tanah Abang IV No. 21, Jakarta
Telp. 374383

P.T. TUMORA TRI PRATAMA
Gedung Bursa Lt. 3
Jl. Medan Merdeka selatan No. 14
Jakarta
Telp. 365509 psw. 182

SELLING AGENTS IN SURABAYA STATE BANKS/PRIVATE BANKS

BANK PEMBANGUNAN DAERAH
JAWA TIMUR
Jl. Basuki Rahmat No. 98-104
Surabaya. Telp. 510836

BANK CENTRAL ASIA
Jl. Tunjungan 52, Surabaya
Telp. 515500

BANK INTERNATIONAL
INDONESIA
Jl. Jembatan Merah No. 3. Surabaya
Telp. 20064, 30055, 20058

BANK KARMAN
Jl. Kembang Jepun No. 180-184
Surabaya
Telp. 25343, 25346

BANK SURYA INDONESIA
Jl. Ciklat No. 16,
Surabaya
Telp. 20611, 26062

PAN INDONESIA BANK
Jl. Coklat No. 16.
Surabaya
Telp. 279141

STOCKBROKERS

P.T (PERSERO) DANAREKSA (PER-
WAKILAN)
Jl. Pemuda 27-31.
Surabaya
Telp. 510654

P.T INTI TELADAN SWADAYA
Jl. Kedungdoro No. 102, Surabaya
Telp. 427877

P.T. LAYANG MEGA
Jl. Raya Darmo No. 23
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Telp. (031) 66538, 67872,
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P.T. MASKLURINDO
Jl. Kedung Klintar V No. 21, Surabaya

P.T. PANCASUMBER DHANA
MANDIRI
Jl. Undaan Wetan No. 36.
Surabaya
Telp. 44303, 4299

P.T. PANDAN
Gedung Perkantoran Medan Pemuda
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P.T. PARAMITRA ARTHA
PERTIWI
Wisma Sier Lt. 2
Jl. Rungkut Industri Raya No. 10
Surabaya
Telp. 812981, 817681

PUSAT KOPERASI UNIT DESA
DATI I JAWA TIMUR
Jl. Kemayoran Baru No. 15, Surabaya
Telp. 278394, 230117

P.T. SERUNI TUNGGAL/
TJAHYONO
Jl. Rungkut Industri III No. 5, Surabaya
Telp. 817195

P.T. SUCORINVEST CENTRAL
GANI
Jl. Pemuda No. 112-114, Surabaya
Telp. 41937, 471293

P.T. SUMBERARIA INVESINDO
Jl. Manyar Kertoarjo V No. 12,
Surabaya
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P.T. SURABAYA ARTHA SELARAS
TJAHYONO
Jl. Rungkut Industri III No. 5, Surabaya
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P.T. TUNASMULIA
INVESINDOKARSA
Jl. Undaran Wetan No. 56, Surabaya
Telp. 40855