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BINTAN LAGOON RESORT, GALLANT UNITS FACE LAWSUIT OVER LAND

Indonesian company suing over land that the resort sits on: sources

By MICHELLE QUAH

(SINGAPORE) The Bintan Lagoon Resort and two Indonesian units of Singapore-listed Gallant Venture are said to have become embroiled in a legal spat with another Indonesian company over land on Bintan Island on which part of the resort is sited.

Sources have told The Business Times that PT Bintan Lagoon Resort (BLR) and Gallant's subsidiaries PT Buana Megawisata (BM) and PT Bintan Resort Cakrawala (BRC) have been sued by PT Raflesia Matrawisata.

It's believed the dispute concerns 963,353 square metres of land on the northern shore of Bintan Island, currently occupied by a portion of the Bintan Lagoon Resort - understood to be some 20 villas, the resort's east wing and part of a swimming pool.

PT Raflesia has claimed that it owns the site and it wants BLR, BM and BRC to return the land, after clearing it of developments.

BT understands that PT Raflesia has sued the three companies in the Indonesian courts for the return of the land, and has also claimed hefty damages for the losses it says it has incurred as a result of the other companies occupying its plot.

According to court documents obtained by BT, PT Raflesia is looking to reclaim damages amounting to 58.57 billion rupiah (\$9.8 million). Of this amount, it says the defendants owe it 33.25 million rupiah as a land measurement fee, as well as 57.54 billion rupiah lost from land lease income from the plot over the period 1996 to 2005. It also claims it has suffered from a loss of trust from its business partners estimated at some one billion rupiah.

BT's attempts over the weekend to contact Gallant for comment were unsuccessful.

Gallant, an investment holding company listed on Singapore's Sesdaq board, was formed through the reorganisation of assets held on Batam and Bintan islands by various parties such as Indonesia's Salim Group and Singapore's SembCorp Industries.

Gallant bought these assets - including the Bintan Lagoon Resort, the Batamindo Industrial Park and the Bintan Industrial Estate - from the various parties in April 2006, just before it launched its initial public offering. It paid for the deal by issuing shares. The Salim Group now owns about 51 per cent of Gallant, while SembCorp holds an indirect stake of about 27 per cent in Gallant through its wholly owned subsidiary SembCorp Park Holdings.

BT understands that PT Raflesia was prompted into taking legal action against BLR, BM and BRC after it found out that they were trying to sell the plot.

Sources said that advertisements had been taken out in the Asian Wall Street Journal in early 2005 for the sale of the Bintan Lagoon Resort. There were also several reports in various

newspapers, including The Straits Times, about the redevelopment of Bintan, including the Bintan Lagoon Resort.

An ST report in February 2005 said that the north coast of Bintan Island, including the Bintan Lagoon Resort, would be developed into a 'tourist city, replete with nightclubs and upscale restaurants, shopping malls and boutique hotels . . . to woo more visitors'.

Another ST report published this January said that the 'Bintan cluster of resorts is looking to make a comeback, with \$1.2 billion of fresh investments in tourism and residential projects'. And BRC was quoted in the article as saying building work would start in the middle of this year and the projects would open for business from late next year.

It's believed that PT Rafflesia acted after what it sees as attempts by BLR, BM and BRC to represent the land as theirs - and had taken legal action to stop the companies from selling, transferring or redeveloping on land which it says is rightfully PT Rafflesia's.

Additional court documents obtained by BT suggest that PT Rafflesia has already succeeded partially in its action: the Indonesian district court has granted PT Rafflesia an interim court judgment that bars BLR, BM and BRC from advertising the sale of the plot, or transferring the ownership of the site to any other parties.

The injunction, granted in October 2006, will stand until a final decision is made by the court on the rightful ownership of the land.

BLR, BM and BRC will also have to pay PT Rafflesia a penalty of 10 million rupiah per day for each day they fail to comply with the interim judgment.

The court order also requests that the 'general public and related agencies' avoid conducting or causing to conduct any transactions relating to the plot of land in question. PT Rafflesia has since taken out notices in the Indonesian papers on the injunction it has been granted.

The Bintan Lagoon Resort opened its doors in 1996 and currently has about 416 hotel rooms and 57 villas. It is located on a site of approximately 300 hectares in Bintan and has two 18-hole golf courses.