

ELUCIDATION OF
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CONCERNING
LIMITED LIABILITY COMPANIES

BY THE GRACE OF ALMIGHTY GOD

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

I. GENERAL

The national economy, which is operated on a basis of economic democracy with principles of community, efficiency, justice, sustainability, environmental awareness, independence and safeguards for balanced progress and national economic unity has the aim of creating prosperity for society. Increasing development of the national economy needs the support of an act regulating limited liability companies which can secure a conducive climate for the business world. To date limited liability companies have been governed by the Limited Liability Companies Act No. 1 of 1995, which replaced legislative regulations originating from the colonial period. However, in their development, the provisions in that Act are viewed as no longer complying with legal developments and the needs of society because the economic situation and progress in science, technology, and information are developing so swiftly, particularly in the era of globalisation. Besides, the increase in demand from society for quick service, legal certainty and the demand for development of the business world in accordance with principles of good corporate governance demand the improvement of the Limited Liability Companies Act No. 1 of 1995.

This Act accommodates various provisions concerning Companies, both in the form of the addition of new provisions, the improvement of others and the keeping of old provisions evaluated as still relevant. To further clarify the essence of Companies, this Act makes explicit that a Company is a legal entity which constitutes an alliance of capital established pursuant to a contract in order to carry on business activities with an authorised capital all of which is divided into shares and which fulfils the requirements stipulated in this Act and its implementing regulations.

In the context of complying with society's demand for swift service, the Act provides procedures for the electronic:

1. submission of applications for and the granting of ratification of legal entity status;
2. submission of applications for and the granting of approval for the amendment of articles of association;

3. delivery of notifications and receipt of notifications of amendments to articles of association and/or notification of and receipt of notification of other changes to data

by legal entity administration system information technology services besides manual systems still being possible in certain circumstances.

With regard to applications for ratification of Companies as legal entities, it is made explicit that such applications constitute the authority of the founders jointly which they can exercise themselves or they can empower a notary to exercise.

A Company's deed of establishment which has been ratified and deed of amendment of the articles of association which has been approved and/or notified to the Minister must be recorded in the register of Companies and announced in the Supplement to the State Gazette of the Republic of Indonesia made by the Minister. In the matter of grants of status as a legal entity, approvals and/or receipts of notification of amendments to the articles of association, and changes to other data, this Act has not connection with the Mandatory Company Registration Act.

To further clarify and make explicit provisions involving Company Organs, this Act amends provisions involving the holding of General Meetings of Shareholders (GMS) by using technological developments. Thus, a GMS can be held by electronic media such as teleconferences, video conferences, or other electronic media facilities. This Act also clarifies and makes explicit the tasks and responsibilities of the Board of Directors and Board of Commissioners. This Act provides for independent and delegated commissioners.

In accordance with the development of business activities based on sharia principles, this Act obliges Companies doing business on the basis of sharia principles to have a Sharia Supervisory Board as well as a Board of Commissioners. The Sharia Supervisory Board's task will be to give the Board of Directors advice and suggestions and to supervise the Company's activities so that they will be in accordance with sharia principles.

The provisions in this Act regarding Companies' capital structure remain the same, i.e., it consists of authorised capital, subscribed capital, and paid-up capital. However, Companies' authorised capital has been changed to be at least Rp. 50,000,000 (fifty million rupiah), while there is an obligation to fully pay up subscribed capital. With regard to buying back shares issued by the Company, it can be done in principle with the proviso of a 3 (three)-year time limit for the Company to own shares which it has bought back. Especially for the use of profits, this Act makes explicit that the Company may allocate profits and set aside the mandatory reserve if the Company has a positive profit balance.

This Act provides for Environmental and Social Responsibility aimed at creating sustainable economic development in order to improve the quality of life and environment, which will be beneficial for the Company itself, the local community and society in general. This provision is intended to support the ties of Company relationships which are harmonious, balanced and in accordance with the environment, values, norms and culture of the local community, and so it stipulates that Companies whose business activities are in the field of and/or related to natural resources must put into practice Environmental and Social Responsibility. In order to carry out this obligation of Companies, the Environmental and Social Responsibility activities must be budgeted for and calculated as Company costs to be performed with due attention to decency and fairness. Such activities must feature in Companies' annual reports. If a Company does not put into practice Environmental and Social Responsibility, the Company involved will be liable to sanctions in accordance with the provisions of legislative regulations.

This Act makes explicit provisions with regard to the winding-up, liquidation and expiry of the Company's status as a legal entity with due attention to the provisions in the Bankruptcy and Suspension of Payments Act.

In the context of the implementation and development of this Act, a team of company law review experts will be formed whose task will be to give input to the Minister in relation to Companies. To ensure the credibility of this team of experts, the membership of the team will consist of various elements from the government, academics, the professions, and the business world.

As a comprehensive regulation which covers various aspects of Companies, it is to be hoped that this Act will meet society's demands of the law and give further legal certainty for the business world in particular.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently Clear

Article 2

Sufficiently Clear

Article 3

Paragraph (1)

The provisions in this paragraph make explicit the character of a Company that shareholders are only liable for the

amount paid up on all of the shares they own and it does not cover their personal assets.

Paragraph (2)

In certain circumstances it is not impossible for limited liability to be eliminated if it is proved that the matters stated in this paragraph have occurred.

It is possible for shareholders' liability in the amount of all the shares they own to be eliminated if it is proven that, among others, there has been a mixing of the shareholder's personal assets and the Company's assets so that the Company was established purely as a tool to be used by the shareholder to reach his personal aims as contemplated in subparagraphs a and d.

Article 4

The fact that this Act, their articles of association and the provisions of other legislative regulations apply to Companies does not detract from the obligation of each Company to comply with the principles of good faith, decency, and fairness and the principle of good corporate governance in running the Company.

“Other legislative regulations” means all legislative regulations related to the existence and running of Companies, including their implementing regulations, among others banking, insurance and financial institution regulations.

In the event that there is found to be any conflict between the articles of association and this Act, this Act prevails.

Article 5

The Company's domicile also constitutes the Company's head office.

The Company must have an address in accordance with its domicile which must be mentioned in, amongst others, correspondence, and at which the Company can be contacted.

Article 6

If the Company is established for a limited period, the length of that period must be explicitly stated; for example, 10 (ten) years, 20 (twenty) years, 35 (thirty-five) years, and so on. Similarly, if the Company is established for an unlimited period, this must be explicitly stated in the articles of association.

Article 7

Paragraph (1)

“Person” means an individual Indonesian or foreign citizen or an Indonesian or foreign legal entity. The provision in this paragraph makes explicit the principle effective under this Act that basically as legal entities, Companies must be established pursuant to a contract and therefore they must have more than 1 (one) shareholder.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
In the event that a Consolidation of all of the assets and liabilities of a consolidating Company become the capital of the Company resulting from the Consolidation and the founders do not subscribe shares, the founders of the Company resulting from the Consolidation are the consolidating Companies and the names of the shareholders of the Company resulting from the Consolidation are the names of the shareholders of the consolidating Companies.

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Paragraph (6)
The legal relationships and losses of the Company for which shareholders are personally liable are legal relationships and losses which arise after the 6 (six) months have passed. “Party concerned” means the public prosecutor’s office in the public interest, the shareholder, the Board of Directors, the Board of Commissioners, the Company’s employees, creditors and/or other stakeholders.

Paragraph (7)
Because of their special status and characteristics, the requirement for the number of founders for the Companies contemplated in this paragraph are provided for in separate legislative regulations.

Subparagraph a
“State Limited Liability Company” means a business entity belonging to the State in the form of a Company whose capital is divided into shares as provided for in the State Owned Enterprises Act.

Subparagraph b
Sufficiently Clear.

Article 8

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Subparagraph a

In establishing a Company clarity with regard to the nationality of the founders is necessary. Basically, Indonesian legal entities in the form of a Company must be established by Indonesian citizens or Indonesian legal entities. Nevertheless, foreign citizens or foreign legal entities are given the opportunity to establish Indonesian legal entities in the form of Companies in so far as the statute regulating the Company's field of business allows or the establishment of the Company is provided for by a separate statute.

In the event that the founders are foreign legal entities, the number and date of ratification of the founder legal entity is that of the document equivalent thereto, such as a certificate of incorporation.

In the event that a founder is a State or Regional legal entity, then a Government Regulation regarding investment in the Company or a Bye-Law regarding regional investment in the Company is necessary.

Subparagraph b
Sufficiently Clear

Subparagraph c

"Subscribed shares" means the number of shares subscribed by the shareholders at the time of the establishment of the Company.

If the amount paid up exceeds the nominal value so as to give rise to a difference between the value actually paid and the nominal value, the difference must be recorded in the financial reports as a share premium.

Paragraph (3)
Sufficiently clear

Article 9

Paragraph (1)

“Legal entity administration system information technology services” means the services rendered to the public in the process of ratifying the Company as a legal entity.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Article 10

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
In this provision “directly” means at the same time as the submission of the application is received.

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Paragraph (6)
“Signed electronically” means a signature which is affixed to or included in electronic data by the authorised official and proves the authenticity of the data in the form of an electronic picture of the authorised official’s signature made by medium of a computer.

Paragraph (7)
See the elucidation of paragraph (3)

Paragraph (8)
The application contemplated in this paragraph will not be subject to any additional charge.

Paragraph (9)
Sufficiently Clear

Paragraph (10)
Sufficiently Clear

Article 11
Sufficiently Clear

Article 12

Paragraph (1)

In this provision “legal acts” means among others legal acts performed by the prospective founders with other persons which will be considered with the ownership and paying up of the prospective founders’ shares in the Company.

Paragraph (2)

“Attached” means uniting the document made by means of attaching and sewing the document as a unity with the deed of establishment.

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Article 13

Paragraph (1)

This provision provides procedures which must be followed to transfer to a Company the rights and/or obligations which arise out of acts of the prospective founders performed before the Company is established by means of explicit acceptance or taking over of the rights and obligations arising out of the legal acts.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Paragraph (5)

Sufficiently Clear

Article 14

Paragraph (1)

“Legal act on behalf of the Company” means a legal act where the Company is stated to be a party to the legal act or where the Company is stated to be a party with an interest in the legal act.

This provision is intended to make explicit that the members of the Board of Directors may not perform legal acts on behalf of a Company which has not yet obtained the status of a legal entity without the approval of all of the founders, the other members of the Board of Directors and the members of the Board of Commissioners.

Paragraph (2)

“The founders concerned shall be liable for such legal acts and the legal acts shall not be binding on the Company” means the founders who perform the act will be personally liable therefor and the Company will not be liable for the legal act performed by the founders.

Paragraph (3)

Sufficiently Clear

Paragraph (4)

“Attended” means the shareholders are present in person or represented on the basis of a power of attorney.

Paragraph (5)

Sufficiently Clear

Article 15

Paragraph (1)

Subparagraph a

Sufficiently Clear

Subparagraph b

Sufficiently Clear

Subparagraph c

See the elucidation of Article 6

Subparagraph d

Sufficiently Clear

Subparagraph e

Sufficiently Clear

Subparagraph f

Sufficiently Clear

Subparagraph g
Sufficiently Clear

Subparagraph h
“The procedures for the appointment” includes procedures for election, among others oral election or elections by folded ballot papers and election of candidates individually or as a package.

Subparagraph i
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Article 16

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
In the event that no abbreviation “Tbk” is written, it means that the Company is a private Company.

Paragraph (4)
Sufficiently Clear

Article 17

Paragraph (1)
The provision in paragraph (1) does not close off the possibility of a Company being domiciled in a village (desa) or subdistrict (kecamatan) provided the articles of association state the name of the city (kota) or regency (kabupaten) of the village or subdistrict. For example: PT A is domiciled in Bojongsari Village, Pandaan Subdistrict, Pasuruan Regency.

Paragraph (2)
Sufficiently Clear

Article 18

The purpose and objective constitute the Company's primary business.

The business activities constitute the activities performed by the Company in the context of achieving its purpose and objective, which must be clearly detailed in the articles of association, and such details may not conflict with the articles of association.

Article 19

Sufficiently Clear

Article 20

Paragraph (1)

The curator's consent must be given before the resolution to amend the articles of association is adopted. This is intended to avoid the possibility of refusal by the curator resulting in the resolution to amend the articles of association becoming void.

Paragraph (2)

Sufficiently Clear

Article 21

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Subparagraph a

Sufficiently Clear

Subparagraph b

Sufficiently Clear

Subparagraph c

See the elucidation of Article 6

Subparagraph d

Sufficiently Clear

Subparagraph e

Sufficiently Clear

Subparagraph f

Amendments to the articles of association for a change of the Company's status from private company to Public Company or vice versa involve amendments

to the whole of the provisions of the articles of association and so the Minister's approval will be given to amendment of the whole of the articles of association.

Paragraph (3)
Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Paragraph (5)
"Must be stated in a notarial deed" means it must be in the form of a deed of declaration of resolutions of meeting or deed of amendment to the articles of association.

Paragraph (6)
Sufficiently Clear

Paragraph (7)
Sufficiently Clear

Paragraph (8)
Sufficiently Clear

Paragraph (9)
In the event of the application still being submitted, the Minister must refuse the application or notification.

Article 22

Paragraph (1)
The provisions in this paragraph do not detract from the provisions contemplated in Article 21 paragraph (7).
Example: A Company was established for a period of 50 (fifty) years and will expire on 15 November 2007 in accordance with the provisions contemplated in Article 22 paragraph (1). If the Company's period of incorporation is to be extended, the application for approval of the amendment to the articles of association with regard to the extension of the period must be submitted to the Minister no later than on 15 September 2007.
In the event that the GMS adopts the resolution to extend the period on 1 August 2007 and it is declared in a Notarial deed on 7 August 2007, the application must be submitted to the Minister no later than on 7 September 2007.
In the event that the GMS for the extension of the period is held on 20 August 2007, the extension of the period must be

declared in a Notarial deed and the application must be submitted to the Minister no later than on 15 September 2007 in accordance with the provision contemplated in Article 22 paragraph (1).

Paragraph (2)
Sufficiently Clear

Article 23

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
“This Act determines otherwise” means amongst others as contemplated in Articles 25 and 26 of this Act which provide for conditions which must be fulfilled before the Minister’s Decree comes into effect or where a later date is determined in the Minister’s Decree, which contains a condition precedent which must be fulfilled first or a later date.

Article 24
Sufficiently Clear

Article 25
Sufficiently Clear

Article 26
Subparagraph a
Sufficiently Clear

Subparagraph b
“a later date determined” means a date after the date of the Minister’s approval.

Subparagraph c
“A later date determined in the deed of Merger or the deed of Acquisition” means the date which the parties have agreed on and which is later than the date of the Minister’s receipt of the notification of the amendment to the articles of association.

Article 27
Sufficiently Clear

Article 28
Sufficiently Clear

Article 29
Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Subparagraph a
Sufficiently Clear

Subparagraph b
Sufficiently Clear

Subparagraph c
“Changes in the Company’s data” means amongst others data concerning transfers of rights over shares, the replacement of members of the Board of Directors and Board of Commissioners, or the winding up of the Company.

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Paragraph (6)
Sufficiently Clear

Article 30
Sufficiently Clear

Article 31
Sufficiently Clear

Article 32
Paragraph (1)
Sufficiently Clear

Paragraph (2)
“Certain business activities” means amongst others banking, insurance or freight forwarding business.

Paragraph (3)

The provisions in this paragraph are necessary to anticipate changes in the economic situation.

Article 33

Paragraph (1)

Sufficiently Clear

Paragraph (2)

“Lawful evidence of deposit” means, amongst others, evidence of deposit by the shareholders into a bank account under the name of the Company, data from financial reports audited by an accountant, or the Company’s balance sheet signed by the Board of Directors and Board of Commissioners.

Paragraph (3)

This provision makes explicit that it is not possible to pay up shares by means of instalments.

Article 34

Paragraph (1)

In general shares will be paid up in the form of money. Nevertheless, the possibility is not closed off that shares will be paid up in some other form, whether tangible or intangible goods, which have a monetary value and which are in fact received by the Company.

The paying up of shares in some other form apart from money must be accompanied by details giving the value or price, type or kind, status, domicile etc. as considered necessary for the sake of clarity regarding such paying up.

Paragraph (2)

The reasonable value shall determined in accordance with the market value. If no market value is available, the reasonable value will be specified based on appraisal techniques most suitable to the characteristics of the payment based on the best relevant information.

“An expert not affiliated” means an expert who does not have:

- a. a family relationship because of marriage or descent up to the second degree, horizontally or vertically, with any of the Company’s officers, members of the Board of Directors, members of the Board of Commissioners, or shareholders;

- b. a relationship with the Company because of one or members of the Board of Directors or Board of Commissioners being the same;
- c. a direct or indirect controlling relationship with the Company;
- d. shares in the Company in the amount of 20% (twenty per cent) or more.

Paragraph (3)

The intent of the announcement of the paying up of shares in the form of immovable property in a Newspaper is that it be publicly known and an opportunity be given to interested parties to submit any objection to the surrender of such property to pay up share capital if, for example, it becomes known that the property does not belong to the payor.

Article 35

Paragraph (1)

The need for the consent of a GMS as contemplated in this paragraph is to make explicit that setting off can only be done with the consent of the GMS because by consenting to the setting off, the other shareholders' right to priority in subscribing new shares is automatically waived.

Paragraph (2)

By the provision in this paragraph, interest and penalties which are owed and even due and payable cannot be set off to pay up shares because they are not actually received by the Company.

Subparagraph a

Sufficiently Clear

Subparagraph b

The meaning in this paragraph is that the party serving as the underwriter or guarantor of the Company's debt has satisfied the Company's debt and so has a receivable against the Company.

Subparagraph c

The meaning in this paragraph is that the Company's obligation to pay a debt in its capacity as underwriter or guarantor to eliminate the creditor's receivable may be set off against the paying up of shares issued by the Company.

Paragraph (3)

Sufficiently Clear

Article 36

Paragraph (1)

In principle, the issuance of shares is an endeavour to raise capital and so the obligation to pay up shares should be charged to some other party. For the sake of certainty, this Article specifies that Companies are not allowed to issue shares for themselves to own.

This prohibition also includes a prohibition on cross-holdings which occur if a Company owns shares issued by some other Company which directly or indirectly owns shares in that Company.

The definition of direct cross-holding is if the first Company owns shares in a second Company without any ownership in one or more “intermediate Companies” and in reverse the second Company owns shares in the first Company.

The definition of indirect cross-holding is the ownership by the first Company of shares in a second Company via ownership in one or more “intermediate Companies” and in reverse the second Company owns shares in the first Company.

Paragraph (2)

Share ownership which results in the ownership of shares by the Company itself or ownership of shares by means of cross-holdings is not prohibited if the ownership of shares was obtained by transfers by operation of law, by grant, or by bequest because in such cases there was no issuance of shares which needed to funds to be paid up from another party and so they do not breach the prohibition contemplated in paragraph (1).

Paragraph (3)

Sufficiently Clear

Paragraph (4)

“Securities company” has the meaning defined in the Capital Markets Act.

Article 37

Paragraph (1)

Re-purchases of shares by Companies must not cause reductions in capital unless the shares are withdrawn.

Subparagraph a

“Net assets” means all of the Company’s assets minus all of the Company’s obligations according to the most recent financial report ratified by the GMS within the last 6 (six) months.

Subparagraph b
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Paragraph (4)
The intent of the provision of the 3 (three)-year period in this paragraph is that the Company may specify whether the shares will be sold or withdrawn by means of a reduction in capital.

Article 38
Sufficiently Clear

Article 39
Paragraph (1)
“Implementation” means the determination of the time and procedure for the re-purchase of shares and the number of shares to be re-purchased, but does not include matters which are the task of the Board of Directors in re-purchasing shares, such as making payments, storing the share certificates, and making a record in the register of shareholders.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Article 40
Sufficiently Clear

Article 41
Paragraph (1)
“Companies’ capital” means authorised capital, subscribed capital, and paid up capital.

Paragraph (2)

In this paragraph “implementation” means the determination of the time of, procedure for, and amount of the increase in capital, which must not exceed the maximum limit determined by the GMS, but does not include matters which are the task of the Board of Directors in increases in capital, such as receiving the amounts paid up for the shares and making a record in the register of shareholders.

Paragraph (3)

Sufficiently Clear

Article 42

Paragraph (1)

Sufficiently Clear

Paragraph (2)

In this paragraph “the shares with voting rights” means the total number of shares with voting rights issued by the Company.

“Unless larger numbers are determined in the articles of association” means the quorum determined in the articles of association may be higher than the quorum determined in this paragraph.

Paragraph (3)

Sufficiently Clear

Article 43

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Subparagraph a

“Shares directed to the Company’s employees” means amongst others shares issued in the context of an ESOP (employee stocks option program) of the Company with all the rights and obligations attaching thereto.

Subparagraph b

Sufficiently Clear

Subparagraph c

“Reorganisation or restructuring” means amongst others Mergers, Consolidations, and Acquisitions, setting off of receivables, or a Demerger.

Paragraph (4)

The meaning of “Period of 14 (fourteen) days” includes the deadline for shareholders to subscribe the shares of other shareholders who do not exercise their rights.

Article 44

Paragraph (1)

“Reduce the Company’s capital” means reduction of the authorised capital, subscribed capital, and paid up capital. Reductions in subscribed and paid up capital may occur by means of withdrawal of shares already issued for deletion or by means of a reduction in the nominal value of shares.

Paragraph (2)

Sufficiently Clear

Article 45

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Article 46

Sufficiently Clear

Article 47

Paragraph (1)

“Withdrawal of shares” implies that the shares are withdrawn from circulation in the context of a reduction in the subscribed and paid up capital.

Paragraph (2)

“Withdrawal of shares” means the withdrawal of shares with the result of the removal of the shares from circulation.

Paragraph (3)

Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Article 48

Paragraph (1)
The intent of this provision is that Companies are only allowed to issue shares under the name of their owner and Companies may not issue endorsable shares.

Paragraph (2)
“Authorised agency” means the agency authorised by virtue of a statute to supervise Companies doing business in a particular field, for example, Bank Indonesia is authorised to supervise Companies in the field of banking, and the Minister of Energy and Mineral Resources is authorised to supervise Companies in the field of energy and mining.

Paragraph (3)
“May not exercise rights as shareholder” means, for example, the right to be recorded in the register of shareholders, the rights to attend and cast votes in GMS, or the right to receive allocated dividends.

Article 49
Sufficiently Clear

Article 50

Paragraph (1)
Subparagraph a
sufficiently clear

Subparagraph b
sufficiently clear

Subparagraph c
“Amount paid up” means an amount which is at least equal to the nominal value of the share.

Subparagraph d
sufficiently clear

Subparagraph e
sufficiently clear

Paragraph (2)

“Special register” means a source of information regarding the size of the ownership and interest of the members of the Company’s Board of Directors and Board of Commissioners in the Company concerned or in other Companies so that any conflict of interest which may arise can be kept as small as possible.

“Their families” means their spouses and children.

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Paragraph (5)

“Not providing otherwise” does not mean that there is no obligation to compile a register of shareholders and special register for Public Companies, but rather that legislative regulations in the field of capital markets may determine criteria for data which must be entered in the register of shareholders and special register.

Article 51

Arrangements for the form of proof of ownership of shares shall be determined in the articles of association in accordance with need.

Article 52

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Under this provision, the shareholders are not allowed to divide up the rights over 1 (one) share at their own will.

Paragraph (5)

Sufficiently Clear

Article 53

Paragraph (1)

“Classifications of shares” means the grouping of shares based on the same characteristics.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
“Ordinary shares” means shares with the right to vote to adopt resolutions in GMS regarding all matters related to the management of the Company, the right to receive dividends allocated, and the right to receive the remainder of assets in liquidation.
The voting rights owned by holders of ordinary shares may also be owned by holders of shares with other classifications.

Paragraph (4)
The various types of classification of shares do not always show that the classifications are each independent and separate from one another, but may constitute a merger of 2 (two) or more classifications.

Article 54

Paragraph (1)
Fractions of shares will only be possible if provided for in the articles of association.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Article 55

Sufficiently clear

Article 56

Paragraph (1)
“Deed” means a deed made before a notary or an unnotarised deed.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
“Inform the minister of the change in the composition of shareholders” also includes changes in the composition of

shareholders because of inheritance, Acquisition or Demerger.

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Article 57

Paragraph (1)
Sufficiently Clear

Paragraph (2)
“Assignment of rights by operation of law” means amongst others assignment of rights by inheritance or assignment of rights as a result of Merger, Consolidation or Demerger.

Article 58

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
“Shall only apply once” means that the Company’s articles of association may not specify offering the shares more than once before offering them to third parties.

Article 59

Sufficiently clear

Article 60

Sufficiently clear

Article 61

Paragraph (1)
Suits filed must basically contain a request that the Company cease the harmful action and take specific steps to deal with the consequences which have already arisen and to prevent similar action at a later date.

Paragraph (2)
Sufficiently Clear

Article 62

Paragraph (1)

Subparagraph a

Sufficiently Clear

Subparagraph b

“Net assets” means the net assets according to the latest balance sheet ratified within the last 6 (six) months.

Subparagraph c

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Article 63

Sufficiently clear

Article 64

Paragraph (1)

Sufficiently Clear

Paragraph (2)

“Unless specified otherwise in legislative regulations” means if the legislative regulations specify that approval of the work plan must be given by the GMS, the articles of association cannot specify that the work plan must be approved by the Board of Commissioners or vice versa. Similarly, if legislative regulations specify that the work plan must obtain the approval of the Board of Commissioners or the GMS, the articles of association cannot specify that it would be sufficient for the work plan to be delivered to the Board of Commissioners or GMS by the Board of Directors.

Article 65

Sufficiently clear

Article 66

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Subparagraph a

sufficiently clear

Subparagraph b

“A report on the Company’s activities” includes a report on the Company’s results or performance.

Subparagraph c
sufficiently clear

Subparagraph d
“Details of problems” includes disputes or cases involving the Company.

Subparagraph e
sufficiently clear

Subparagraph f
sufficiently clear

Subparagraph g
sufficiently clear

Paragraph (3)
“Financial accounting standards” means the standards established by the Indonesian Organisation of Accounting Professionals recognised by the Government of the Republic of Indonesia.

Paragraph (4)
Sufficiently Clear

Article 67

Paragraph (1)
“Signature of the annual report” is a form of accountability of the members of the Board of Directors and members of the Board of Commissioners in the performance of their duties. In the event that it is mandatory for the Company’s financial report to be audited by a public accountant, the annual report meant is the annual report containing the audited financial report.

Paragraph (2)
“Reasons therefor in writing” means that the GMS can use it as material for consideration in evaluating the report. Where members of the Board of Directors and members of the Board of Commissioners do not give any reasons because among others the person concerned has died, the reason shall be stated by the Board of Directors in a separate letter attached to the annual report.

Paragraph (3)
Sufficiently Clear

Article 68

Paragraph (1)

The obligation to deliver the financial report to a public accountant for auditing arises from the nature of the Company concerned.

The obligation to deliver the financial report for external supervision is upheld on the assumption that public confidence must not be disappointed, and similarly for Companies which for their financing hope for funds from the capital markets.

Subparagraph (a)

“The Company’s business to collect and/or manage the public’s funds” means among others banks, insurance companies, and mutual funds.

Subparagraph (b)

“Acknowledgements of indebtedness” means among others bonds.

Subparagraph (c)

sufficiently clear

Subparagraph (d)

See elucidation of Article 7 paragraph (7) subparagraph a

Subparagraph (e)

sufficiently clear

Subparagraph (f)

sufficiently clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Paragraph (4)
The intent of publication is in the context of accountability and transparency to the public.

Paragraph (5)

Sufficiently Clear

Paragraph (6)
Sufficiently Clear

Article 69

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
The financial reports produced must reflect the actual situation of the assets, liabilities, capital and business proceeds of the Company. The Board of Directors and Board of Commissioners are fully liable for the accuracy of the contents of the Company's financial reports.

Paragraph (4)
Sufficiently Clear

Article 70

"Net profits" means earnings for the current year minus taxes.

"Positive balance of profits" means the Company's net profits in the current financial year have covered the Company's accumulated losses from previous financial years.

The Company shall form a mandatory reserve and other reserves. The reserve contemplated in paragraph (1) is the mandatory reserve.

The mandatory reserve is a certain amount which must be set aside by the Company each financial year and used to cover the Company's possible future losses.

The mandatory reserve need not always be in the form of cash, but may take the form of other assets which are easily liquidated and cannot be allocated as dividends.

"Other reserves" means reserves beyond the mandatory reserve which may be used for various needs of the Company, for example for business expansion, allocation of dividends, social purposes and so forth.

The provision that at least 20% (twenty per cent) of the subscribed and paid up capital is considered a suitable amount for the mandatory reserve.

Article 71

Paragraph (1)

The GMS resolution in this paragraph must give due attention to the Company's interests and fairness.

The GMS resolution may determine that part or all of the net profits be used for the allocation of dividends to the shareholders, the reserves, and/or other allocations such as profit sharing incentives (tantieme) for members of the Board of Directors and Board of Governors, and bonuses for employees.

The giving of incentives and bonuses related to the Company's performance must be budgeted for and calculated as costs.

Paragraph (2)

"All net profits" means the grand total of net profits for the financial year concerned after deduction of the Company's accumulated losses from previous financial years.

Paragraph (3)

In the event that the Company's net profits in the current financial year do not cover the whole of the Company's accumulated losses from previous financial years, the Company may not allocate dividends because the Company still has a negative balance of net profits.

Article 72

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Paragraph (5)

An example of interim dividends which must be returned would be as follows:

An interim dividend of Rp. 1,000 (one thousand rupiah) per share is allocated. The Company suffers losses and does not have a positive balance of profits and so there is no dividend to be allocated. Therefore Rp. 1,000 (one thousand rupiah) per share must be returned.

If the Company suffers losses, but the Company has retained earnings and a positive balance of profits, the GMS may

determine, for example, a dividend of Rp. 200 (two hundred rupiah) per share. Therefore, each share must return Rp. 1,000 (one thousand rupiah) minus Rp. 200 (two hundred rupiah), i.e., Rp. 800 (eight hundred rupiah).

Paragraph (6)
Sufficiently Clear

Article 73

Paragraph (1)
Sufficiently Clear

Paragraph (2)
The collection of dividends contemplated is the nominal amount of the dividends not including interest.

Paragraph (3)
The amount of the dividends not collected and becoming the right of the Company shall be booked in the post for the Company's other income.

Article 74

Paragraph (1)
This provision is directed towards creating Company relationships which are harmonious, balanced and in accordance with the environment, values, norms and culture of the local community.
"Companies doing business in the field of natural resources" means Companies whose business is managing and exploiting natural resources.
"Companies doing business in relation to natural resources" means Companies who do not manage and do not exploit natural resources but whose business activities have an impact on the functional capacity of natural resources.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
"Liable to sanctions in accordance with the provisions of legislative regulations" means liable to all forms of sanction provided for in the relevant legislative regulations.

Paragraph (4)
Sufficiently Clear

Article 75

Paragraph (1)
Sufficiently Clear

Paragraph (2)
The provision in this paragraph is intended to regard the shareholders' right to obtain information in relation to agenda items without prejudice to the shareholders' right to obtain other information in relation to the shareholders' rights provided for in this Act, among others, the shareholders' right to see the register of shareholders and special register contemplated in Article 50 paragraph (4) and the shareholders' right to obtain the materials for the meeting immediately after the invitation to the GMS contemplated in Article 82 paragraphs (3) and (4).

Paragraph (3)
Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Article 76

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Paragraph (4)
"The condition contemplated in paragraph (3)" means that the GMS must be held within the territory of the Republic of Indonesia.

Paragraph (5)
Sufficiently Clear

Article 77

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

“Approved and signed” means approved and signed physically or by electronic means.

Article 78

Paragraph (1)

“Other GMS” means what is common practice known as an extraordinary GMS.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Article 79

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

“Reason which serves as the basis for the request for the GMS to be held” means amongst others because the Board of Directors has not held the annual GMS in accordance with the deadline specified or the period of office of the members of the Board of Directors and/or members of the Board of Commissioners is about to expire.

Paragraph (4)

Sufficiently Clear

Paragraph (5)

Sufficiently Clear

Paragraph (6)

Sufficiently Clear

Paragraph (7)

Sufficiently Clear

Paragraph (8)
Sufficiently Clear

Paragraph (9)
Sufficiently Clear

Paragraph (10)
Sufficiently Clear

Article 80

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
“Court order with regard to the quorum to be present and provisions for the adoption of GMS resolutions” particularly applies to third GMS, while for first and second GMS, the provisions contemplated in Articles 86, 87, 88, and 89 or the Company’s articles of association apply to the provisions on the quorum to be present and the requirements for the adoption of resolutions.
“Form of GMS” means the annual or other GMS.

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Paragraph (6)
“Shall be final in nature and have absolute legal effect” means that no appeal, cassation or civil review can be lodged against the court order. The intent of this provision is that the implementation of the GMS is not delayed.

Paragraph (7)
The only legal avenue possible if the court order refuses the application is cassation, while civil review is not possible.

Paragraph (8)
Sufficiently Clear

Article 81

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Invitations to the GMS are an obligation of the Board of Directors. Invitations to the GMS may be issued by the Board of Commissioners in the event among others that the Board of Directors does not convene the GMS as specified in Article 79 paragraph (6), in the event that the Board of Directors is prevented from doing so or there is a conflict of interests between the Board of Directors and the Company.

Article 82

Paragraph (1)
The “period of 14 (fourteen) days” is the minimum period for invitations to a meeting. Therefore, the articles of association may not specify a period of less than 14 (fourteen) days except for the second or third meeting in accordance with the provisions of this Act.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Article 83

Paragraph (1)
The announcement is intended to give shareholders the opportunity to propose additions to the GMS agenda to the Board of Directors.

Paragraph (2)
Sufficiently Clear

Article 84

Paragraph (1)
“Unless the articles of association determine otherwise” means if the articles of association issue a share without a vote. In the event that the articles of association do not so

determine, it may be assumed that each share issued carries one vote.

Paragraph (2)

By this provision, shares in the Company which are directly or indirectly controlled by the Company do not carry a vote and are not counted in determining the quorum.

Subparagraph a

“Controlled by the Company itself” means controlled by ownership, re-purchase, or pledge.

Subparagraph b

Sufficiently Clear

Subparagraph c

Sufficiently Clear

Article 85

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

The provision in this paragraph constitutes a realisation of the principle of mutual deliberation to reach a consensus acknowledged in this Act. Therefore, split voting is not allowed.

For Public Companies, the different votes cast by custodian banks or stock companies representing shareholders in mutual funds do not constitute different votes as contemplated in this paragraph.

Paragraph (4)

In determining the quorum for the GMS, the shares of shareholders represented by members of the Board of Directors, members of the Board of Commissioners, and employees of the Company as proxies will be included in the count, but in voting they will not have the right to vote as proxies for shareholders.

Paragraph (5)

Sufficiently Clear

Paragraph (6)

Sufficiently Clear

Paragraph (7)
Sufficiently Clear

Article 86

Paragraph (1)
Deviation from the provisions in this paragraph are only possible in the events specified in this Act. Articles of Association are not permitted to specify a smaller quorum than the quorum specified by this Act.

Paragraph (2)
In the event that the quorum for the first GMS is not achieved, the meeting must still be opened and then closed with minutes being made that explain that the first GMS could not proceed because the quorum was not achieved and furthermore an invitation to a second GMS may be issued.

Paragraph (3)
Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Paragraph (5)
In the event that the quorum for the second GMS is not achieved, the meeting must still be opened and then closed with minutes being made that explain that the second GMS could not proceed because the quorum was not achieved and furthermore an application may be filed with the Chief Judge of the District Court to determine the quorum for a third GMS.

Paragraph (6)
In the event that the Chief Judge of the District Court is prevented, the determination shall be made by another official representing the Chief Judge.

Paragraph (7)
“Shall be final and have absolute legal effect” means that no appeal, cassation, or civil review may be filed against the determination.

Paragraph (8)
Sufficiently Clear

Paragraph (9)
Sufficiently Clear

Article 87

Paragraph (1)

“Deliberation to reach a consensus” means the result of an agreement approved by the shareholders present or represented in a GMS.

Paragraph (2)

“Approved by more than $\frac{1}{2}$ (one half)” means that the proposal on the agenda item must be approved by more than $\frac{1}{2}$ (one half) of the number of votes cast. If there are 3 (three) proposals or candidates and none of them receives more than $\frac{1}{2}$ (one half) of the votes, voting on the 2 (two) proposals or candidates who obtained the most votes must be repeated so that one of the proposals or candidates will obtain more than $\frac{1}{2}$ (one half) of the votes.

Article 88

Sufficiently Clear

Article 89

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Sufficiently Clear

Paragraph (3)

“A quorum to be present and/or provisions concerning requirements for the adoption of second GMS resolutions which are higher” means higher than those stipulated in this paragraph but not higher than those stipulated in paragraph (1).

Paragraph (4)

Sufficiently Clear

Paragraph (5)

Sufficiently Clear

Article 90

Paragraph (1)

The signature by the chair of the meeting and at least 1 (one) shareholder appointed by and from the participants in the

GMS is intended to ensure the certainty and accuracy of the contents of the GMS minutes.

Paragraph (2)
Sufficiently Clear

Article 91

“Adopt resolutions outside GMS” means what is known in practice as circular resolutions.

Such resolutions shall be adopted without a GMS being held physically, but the resolutions shall be adopted by means of sending in writing the proposal to be resolved upon to all shareholders and the proposal shall be approved in writing by all of the shareholders.

“Binding resolutions” means resolutions which have the same legal force as GMS resolutions.

Article 92

Paragraph (1)
This provision gives Boards of Directors the task of managing Companies, which among others covers the day-to-day management of the Company.

Paragraph (2)
“Any policy that seems appropriate” means policies which among others are based on expertise, opportunities available, and customary in the world of similar businesses.

Paragraph (3)
Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Paragraph (6)
The Board of Directors as the Company organ which manages the Company clearly understands the Company’s management needs. Therefore, if the GMS does not determine any division of tasks and authority of members of the Board of Directors, it would be reasonable for this determination to be made by the Board of Directors itself.

Article 93

Paragraph (1)

The period of 5 (five) years shall be calculated from when the person concerned is declared to be at fault on the basis of a court decision which has absolute legal effect making the Company bankrupt or if sentenced as from when he/she finishes serving his/her sentence.

Subparagraph a
Sufficiently Clear

Subparagraph b
Sufficiently Clear

Subparagraph c
“Finance sector” means among others bank and non bank financial institutions, capital markets, and other sectors related to the collection and management of the public’s funds.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
“Letter” means a declaration made by the prospective member of the Board of Directors concerned in relation to the requirements of paragraph (1) and a letter from the authorised agency in relation to the requirements in paragraph (2).

Article 94

Paragraph (1)
The authority of the GMS may not be delegated to other Company Organs or other parties.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
The requirement of appointment of the members of Boards of Directors for “a certain period” is intended so that members of the Board of Directors whose period of office has expired do not automatically continue in their original position unless re-appointed by a GMS resolution. For example, for a period of 3 (three) years or 5 (five) yeas from the date of appointment, and then as from the expiry of that period, the ex-members of the Board of Directors concerned are no longer entitled to act for and on behalf of the Company except after being re-appointed by the GMS.

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Paragraph (6)
Sufficiently Clear

Paragraph (7)
“Change in the members of the Board of Directors” includes changes because of the re-appointment of the members of the Board of Directors.

Paragraph (8)
“Application” means applications for approval of amendments to the articles of association as contemplated in Article 21 paragraph (2).
“Notification” means notification of amendments to the articles of association as contemplated in Article 21 paragraph (3) and notifications concerning other Company data which must be notified to the Minister in accordance with the provisions of this Act.

Paragraph (9)
Sufficiently Clear

Article 95

Paragraph (1)
The appointment of the member of the Board of Directors shall be void by operation of law as from when the breach of the provisions contemplated in Article 93 becomes known to the other members of the Board of Directors or the Board of Commissioners based on lawful evidence and the member of the Board of Directors concerned shall be informed thereof in writing when it becomes known.

Paragraph (2)
“Another member of the Board of Directors” means a member of the Board of Directors beyond the member of the Board of Directors whose appointment is void and who has the authority to represent the Board of Directors in accordance with the articles of association. If there is no such member of the Board of Directors, the Board of Commissioners shall make the announcement.

Paragraph (3)
Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Article 96

Paragraph (1)
“The amount of the salary and allowances for members of the Board of Directors” means the amount of the salary and allowances for each member of the Board of Directors.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Article 97

Paragraph (1)
Sufficiently Clear

Paragraph (2)
“Full liability” means giving the Company meticulous and dedicated attention.

Paragraph (3)
Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Subparagraph a
Sufficiently Clear

Subparagraph b
Sufficiently Clear

Subparagraph c
Sufficiently Clear

Subparagraph d

“Took action to prevent the losses from arising or continuing” also includes steps to obtain information about actions of management which could cause losses, among others through the forum of meetings of the Board of Directors.

Paragraph (6)

In the event that the actions of the Board of Directors cause losses to the Company, the shareholders who fulfil the conditions stipulated in this paragraph may represent the Company to file suit or claims through the courts.

Paragraph (7)

Suits submitted by the Board of Commissioners come within the task of the Board of Commissioners to perform the functions of supervision of management of the Company by the Board of Directors. To file suit the Board of Commissioners does not need to act jointly with the other members of the Board of Directors and the authority of the Board of Commissioners is not limited to the case where all of the members of the Board of Directors have a conflict of interest.

Article 98

Paragraph (1)

Sufficiently Clear

Paragraph (2)

This Act basically follows a collegial representative system, which means that each member of the Board of Directors has the authority to represent the Company. Nevertheless in the interests of the Company, the articles of association may determine that the Company be represented by a particular member of the Board of Directors.

Paragraph (3)

Sufficiently Clear

Paragraph (4)

“May not be contrary to this Act” means, for example, that the GMS does not have the authority to decide that it is sufficient for the Board of Directors in encumbering or transferring a majority of the Company’s assets to have the approval of the Board of Commissioners or the approval of a GMS with a quorum of less than $\frac{3}{4}$ (three quarters).

“May not be contrary to the articles of association” means, for example, that the articles of association may determine

that to borrow sums above Rp. 1,000,000,000 (one billion Rupiah), the Board of Directors must have the approval of the Board of Commissioners, in which case the GMS does not have the authority to adopt a resolution that for loans of sums above Rp. 500,000,000 (five hundred million Rupiah) the Board of Directors must obtain the approval of the Board of Commissioners without first amending the provisions of the articles of association.

Article 99

Sufficiently Clear

Article 100

Paragraph (1)

Subparagraph a

The register of shareholders and special register must be in accordance with the provisions contemplated in Article 50.

GMS minutes and minutes of meetings of the Board of Directors shall contain all proceedings and resolutions in a meeting.

Subparagraph b

Sufficiently Clear

Subparagraph c

“Others of the Company’s documents” means among others minutes of meetings of the Board of Commissioners, and the Company’s permits.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Article 101

Any acquisition and change in share ownership must be reported. Reports of Boards of Directors with regard to this issue must be recorded in the special register contemplated in Article 50 paragraph (2).

For the meaning of “his/her family”, see the elucidation of Article 50 paragraph (2).

Article 102

Paragraph (1)

“Company assets” means all moveable and immoveable tangible and intangible goods belonging to the Company.

“In 1 (one) or more separate or inter-related transactions” means one or more transactions which cumulatively result in the passing of the 50% (fifty per cent) threshold.

The evaluation of more than 50% (fifty per cent) of net assets shall be based on the book value according to the most recent balance sheet ratified by the GMS.

Paragraph (2)

Unlike transactions for the assignment of assets, transactions securing Company assets for debts as contemplated in paragraph (1) subparagraph b are not limited in time but attention must be given to the amount of Company assets still secured within a particular period.

Paragraph (3)

“Actions assigning or using as security Company assets” means for example the sale of houses by a real estate business, the sale of interbank negotiable instruments and the sale of inventory by distribution or trading companies.

Paragraph (4)

Sufficiently Clear

Paragraph (5)

Sufficiently Clear

Article 103

“Power of attorney” means a special power of attorney for specific actions mentioned in the power of attorney.

Article 104

To prove the fault or negligence of the Board of Directors, a suit must be submitted to the commercial court in accordance with the provisions in the Bankruptcy and Suspension of Payments Act.

Article 105

Paragraph (1)

GMS resolutions to dismiss members of Boards of Directors may be made on the grounds that the Director concerned no longer fulfils the requirements as member of the Board of Directors determined in this Act, among others by committing actions damaging to the Company or for some other reason judged appropriate by the GMS.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
The defence in this paragraph shall be made in writing.

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Article 106

Paragraph (1)
Bearing in mind that the dismissal of members of Boards of Directors by GMS takes time to implement, while the Company's interests may not admit of any delay, the Board of Commissioners as the supervisory organ is naturally given the authority to suspend.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Paragraph (4)
The GMS shall be preceded by an invitation to the GMS made by the Company Organ that suspended the Director.

Paragraph (5)
Sufficiently Clear

Paragraph (6)
Sufficiently Clear

Paragraph (7)
Sufficiently Clear

Paragraph (8)
Sufficiently Clear

Paragraph (9)
Sufficiently Clear

Article 107

Subparagraph (a)

The procedures for resignation of members of the Board of Directors provided in the articles of association shall be by submitting an application to resign which must be submitted within a certain period of time. When the period of time has expired, the member of the Board of Directors concerned shall cease to serve in his position without any GMS approval being necessary.

Subparagraph (b)

Sufficiently Clear

Subparagraph (c)

Sufficiently Clear

Article 108

Paragraph (1)

Sufficiently Clear

Paragraph (2)

“In the Company’s interests and in accordance with the Company’s purpose and objectives” means that the supervision and giving advice by Boards of Commissioners shall not be in the interest of certain parties or groups but in the interest of the Company as a whole and in accordance with the Company’s purpose and objectives.

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Unlike a Board of Directors, which makes it possible for each member of the Board of Directors to act alone in carrying out the tasks of the Board of Directors, each member of a Board of Commissioners may not act alone in carrying out the tasks of the Board of Commissioners except on the basis of a resolution of the Board of Commissioners.

Paragraph (5)

Companies whose business activities are related to the collection and/or management of the public’s funds, Companies who issue acknowledgements of indebtedness to the public, and Public Companies need supervision by a greater number of members of the Board of Commissioners because they involve the interests of the public.

Article 109

Sufficiently Clear

Article 110

Paragraph (1)

Subparagraph a

Sufficiently Clear

Subparagraph b

Sufficiently Clear

Subparagraph c

See the elucidation of Article 93 paragraph (1) subparagraph c.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

“Letter” means a statement made by the prospective member of the Board of Commissioners concerned in relation to the requirements of paragraph (1) and a letter from the authorised agency in relation to the requirements of paragraph (2).

Article 111

Sufficiently Clear

Article 112

Paragraph (1)

“The other members of the Board of Commissioners” means members of the Board of Commissioners beyond the member of the Board of Commissioners whose appointment has been nullified.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Article 113

Sufficiently Clear

Article 114

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
The provisions in this paragraph affirm that if the Board of Commissioners is at fault or negligent in performing its duties and so causes losses to the Company because of the management carried out by the Board of Directors, the members of the Board of Commissioners shall share in the liability to the extent of their fault or negligence.

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Paragraph (6)
Sufficiently Clear

Article 115
Sufficiently Clear

Article 116
Subparagraph a
Minutes of meetings of Boards of Commissioners shall contain all proceedings and resolutions of the meeting.

Subparagraph b
Any such change in share ownership shall also be reported. For the meaning of “their families” see the elucidation of Article 50 paragraph (2).

Subparagraph c
The report of the Board of Commissioners regarding this matter shall be recorded in the special register contemplated in Article 50 paragraph (2).

Article 117
Paragraph (1)
“Give approval” means give written approval from the Board of Commissioners.

“Assistance” means the action by the Board of Commissioners of accompanying the Board of Directors in performing particular actions.

The granting of approval or assistance to the Board of Directors by the Board of Commissioners in the performance of certain legal actions as contemplated in this paragraph does not constitute actions of management.

Paragraph (2)

“The legal action shall still be binding on the Company” means legal actions performed without the approval of the Board of Commissioners in accordance with the provisions of the articles of association shall still be binding on the Company unless it can be proven that the other party is not acting in good faith. The provision contemplated in this paragraph may waive the personal liability of the members of the Board of Directors in accordance with the provisions of this Act.

Article 118

Paragraph (1)

This provision is intended to give the Board of Commissioners authority to carry out the management of the Company in the event that there is no Board of Directors.

“In specified situations” means among others the situations contemplated in Article 99 paragraph (2) subparagraph b and Article 107 subparagraph c.

Paragraph (2)

Sufficiently Clear

Article 119

Sufficiently clear.

Article 120

Paragraph (1)

Sufficiently Clear

Paragraph (2)

The Independent Commissioners in the code of good corporate governance are “external Commissioners”.

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Article 121

Paragraph (1)

“Committees” means amongst others an audit committee, remuneration committee, and nomination committee.

Paragraph (2)

Sufficiently Clear

Article 122

Sufficiently clear.

Article 123

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Subparagraph a

Sufficiently Clear

Subparagraph b

Sufficiently Clear

Subparagraph c

The procedures for conversion of shares shall stipulate a fair price for the shares in the merging Company and a fair price for the shares in the surviving Company to determine a ratio for the exchange of shares in the context of conversion of shares.

Subparagraph d

The draft amendment of the articles of association in this matter is only mandatory as part of the proposal if the Merger will cause amendments to the articles of association.

Subparagraph e

“The last 3 (three) financial years of each of the Companies” means those which in all cover 36 (thirty-six) months.

Subparagraph f

Sufficiently Clear

Subparagraph g

Sufficiently Clear

Subparagraph h
Sufficiently Clear

Subparagraph i
Sufficiently Clear

Subparagraph j
Sufficiently Clear

Subparagraph k
Sufficiently Clear

Subparagraph l
Sufficiently Clear

Subparagraph m
Sufficiently Clear

Subparagraph n
Sufficiently Clear

Subparagraph o
Sufficiently Clear

Paragraph 3
Sufficiently Clear

Paragraph 4
“Certain Companies” means Companies which have special lines of business, among others bank and non bank financial institutions.
“Relevant government agencies” means among others Bank Indonesia for Mergers of banking companies.

Paragraph 5
Sufficiently Clear

Article 124
Sufficiently clear.

Article 125
Paragraph (1)
The Acquisitions contemplated in this Article do not prejudice the provisions contemplated in Article 7.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Paragraph (5)
“Acquiring party” means the Company, other non Company legal entity, or individual.

Paragraph (6)
Subparagraph a
Sufficiently Clear

Subparagraph b
Sufficiently Clear

Subparagraph c
Sufficiently Clear

Subparagraph d
The procedure for conversion of shares shall determine a fair price for the shares of the Company to be acquired and a fair price for the exchange shares to determine a ratio for the exchange of shares in the context of the conversion of shares.

Subparagraph e
Sufficiently Clear

Subparagraph f
Sufficiently Clear

Subparagraph g
Sufficiently Clear

Subparagraph h
Sufficiently Clear

Subparagraph i
Sufficiently Clear

Subparagraph j
Sufficiently Clear

Subparagraph k
Sufficiently Clear

Paragraph (7)

The Acquisition of shares of other Companies directly from shareholders need not be preceded by making a draft Acquisition, but shall be done directly through negotiation and agreement by the acquiring party and the shareholder subject to the articles of association of the Company to be acquired.

Paragraph (8)

Sufficiently Clear

Article 126

Paragraph (1)

This provision makes explicit that no Merger, Consolidation, Acquisition, or Demerger can be done if it will harm the interests of the parties specified.

Furthermore, in Mergers, Consolidations, Acquisitions, or Demergers the possibility of a monopoly or monopsony occurring in various forms detrimental to the public must be avoided.

Paragraph (2)

Shareholders who do not agree with the Merger, Consolidation, Acquisition, or Demerger are entitled to ask the Company that their shares be bought at a fair price for the shares from the Company as contemplated in Article 123 paragraph (2) subparagraph c and Article 125 paragraph (6) subparagraph d.

Paragraph (3)

Sufficiently Clear

Article 127

Paragraph (1)

Sufficiently Clear

Paragraph (2)

Publication is intended to give the parties concerned the opportunity to find out about the plan and submit objections if they feel their interests will be harmed.

Paragraph (3)

Sufficiently Clear

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Paragraph (6)
Sufficiently Clear

Paragraph (7)
Sufficiently Clear

Paragraph (8)
Sufficiently Clear

Article 128
Sufficiently clear.

Article 129
Sufficiently clear.

Article 130
Sufficiently clear.

Article 131
Sufficiently clear.

Article 132
Sufficiently clear.

Article 133
The publication is intended for interested third parties to know that the Merger, Consolidation, or Acquisition has taken place.
In this case the publication must be made within a period of not more than 30 (thirty) days as from the date of:

- a. the approval of the Minister for the amendment to the articles of association in the event of a Merger;
- b. receipt by the Minister of notification in the event of an amendment of the articles of association as contemplated in Article 21 paragraph (3) or where there is no accompanying amendment of the articles of association;
- c. ratification by the Minister of the deed of establishment of the Company in the event of a Consolidation.

Article 134
Sufficiently clear.

Article 135

Paragraph (1)

Subparagraph a

Sufficiently Clear

Subparagraph b

“A partial Demerger” is commonly called a spin-off.

Paragraph (2)

“Pass by operation of law” means pass by general title so that no deed of assignment is necessary.

Paragraph (3)

Sufficiently Clear

Article 136

Sufficiently clear.

Article 137

Sufficiently clear.

Article 138

Paragraph (1)

Before filing a petition for inspection of a Company, the petitioner must have asked the Company directly with regard to the data or information needed. In the event that the Company refuses or does not pay any attention to the request, this provision gives a remedy which can be followed by the petitioner.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Paragraph (5)

Sufficiently Clear

Paragraph (6)

Sufficiently Clear

Article 139

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)
“Expert” means a person with expertise in the field to be inspected.

Paragraph (4)
Sufficiently Clear

Paragraph (5)
“All documents” means all books, records, and letters related to the Company’s activities.

Paragraph (6)
Sufficiently Clear

Paragraph (7)
Sufficiently Clear

Article 140

Paragraph (1)
Sufficiently Clear

Paragraph (2)
The petitioner may determine further action against the Company on the basis of the report on the outcome of the inspection.

Article 141

Paragraph (1)
In determining the cost of inspection for the inspectors, the Chief Judge shall base it on the inspectors’ level of expertise and the ability to pay of the Company and the scope of the Company.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Charging the contemplated reimbursement of costs shall be determined by the court with due attention to the outcome of the inspection.

Article 142

Paragraph (1)

Subparagraph a
Sufficiently Clear

Subparagraph b
Sufficiently Clear

Subparagraph c
Sufficiently Clear

Subparagraph d
Sufficiently Clear

Subparagraph e
Sufficiently Clear

Subparagraph f
“The revocation of the Company’s business permits such that the Company must enter into liquidation” means there are provisions which do not allow the Company to do business in other fields after its business permits have been revoked, such as in banking business permits or insurance business permits.

Paragraph (2)

Unlike the winding up of a Company as a result of a Merger and Consolidation, which need not be followed by liquidation, the winding up of a Company under the provisions of paragraph (1) must always be followed by liquidation.

Subparagraph a
“Liquidation by a curator” means liquidation specially carried out in the case of Companies wound up under the provision of paragraph (1) subparagraph e.

Subparagraph b
Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Paragraph (6)
The appointment of a liquidator does not mean that the members of the Board of Directors and Board of Commissioners are dismissed, unless the GMS dismisses them.
Those with the authority to suspend liquidators and supervise them are members of Boards of Commissioners in accordance with the provisions in the articles of association.

Article 143

Paragraph (1)
Because Companies which are being wound up are still acknowledged as legal entities, such Companies may be declared bankrupt and the liquidator will then be replaced by a curator.
A declaration of bankruptcy will not alter the status of a Company which is being wound up and therefore the Company must be liquidated.

Paragraph (2)
Sufficiently Clear

Article 144
Sufficiently Clear

Article 145
Sufficiently Clear

Article 146
Paragraph (1)
Subparagraph a
Sufficiently Clear

Subparagraph b
Sufficiently Clear

Subparagraph c
“The grounds that it is not possible for the Company to continue” means, amongst others:
a. the Company has been doing any business (has been non active) for 3 (three) or more years, as proven by notification delivered to the taxation authorities;

- b. the addresses of most of the shareholders are not known despite invitation through advertisement in a Newspaper and so the GMS cannot be held;
- c. the ratio of shareholdings in the Company is such that the GMS cannot adopt lawful resolutions, for example, because 2 (two) factions of shareholders each has 50% (fifty per cent) of the shares; or
- d. the Company's assets have declined to such an extent that the Company can no longer continue in business with its existing assets.

Paragraph (2)
Sufficiently Clear

Article 147

Paragraph (1)
The calculation of the 30 (thirty)-day period shall run from the date of:

- a. the winding up by the GMS when the Company is wound up by the GMS; or
- b. the court order which has obtained absolute legal effect when the Company is wound up pursuant to a court order.

Paragraph (2)
Sufficiently Clear

Paragraph (3)
Calculation of the 60 (sixty)-day period shall run from the date of the latest announcement notifying creditors, for example if the announcement in a Newspaper is on 1 July 2007, while the announcement in the State Gazette of the Republic of Indonesia is on 3 July 2007, the date of the latest announcement would be 3 July 2007.

Paragraph (4)
Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Article 148
Sufficiently Clear

Article 149
Paragraph (1)
Subparagraph a
Sufficiently Clear

Subparagraph b

“In the plan for division of the assets resulting from the liquidation” includes a breakdown of the size of debts and the plan for their payment.

Subparagraph c

Sufficiently Clear

Subparagraph d

Sufficiently Clear

Subparagraph e

“Other action necessary in the implementation of the settlement of assets” means among others filing a petition for bankruptcy because the Company’s debts are greater than the Company’s assets.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Article 150

Sufficiently Clear

Article 151

Sufficiently Clear

Article 152

Paragraph (1)

“Liquidators shall be accountable” means liquidators must give an accountability report on the liquidation they have carried out.

Paragraph (2)

Sufficiently Clear

Paragraph (3)

Sufficiently Clear

Paragraph (4)

Sufficiently Clear

Paragraph (5)
Sufficiently Clear

Paragraph (6)
Sufficiently Clear

Paragraph (7)
Sufficiently Clear

Paragraph (8)
Sufficiently Clear

Article 153
Sufficiently Clear

Article 154

Paragraph (1)

Basically the provisions in this Act apply to Companies doing certain businesses in the field of capital markets, such as Public Companies or stock exchanges. However, bearing in mind that such Companies have particular characteristics which are different from those of Companies in general, it is necessary to leave open the possibility of special arrangements for such Companies.

These special arrangements are with regard to, amongst others, the system for paying up capital, matters related to buying back shares in Companies, and voting rights and convening of GMS.

Paragraph (2)

“Basic principles of Company law” means the basic legal principles related to the essence of Companies and Company Organs.

Article 155
Sufficiently Clear

Article 156
Sufficiently Clear

Article 157

Paragraph (1)
Sufficiently Clear

Paragraph (2)
Sufficiently Clear

Paragraph (3)

“Companies which have already obtained the status of legal entities under legislative regulations” means Companies with the status of legal entity which were established on the basis of Commercial Code and the Limited Liability Companies Act No. 1 of 1995.

Paragraph (5)

Sufficiently Clear

Article 158

Under this provision, ownership of shares by such other Companies must be assigned to other parties not subject to the prohibitions contemplated in Article 36 within a period of 1 (one) year as from the coming into effect of this Act.

Article 159

Sufficiently Clear

Article 160

Sufficiently Clear

Article 161

Sufficiently Clear