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If you are in any doubt about any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser or any other appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your shares in First Pacific Company Limited (the "Company"), you should at once hand this Circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **FIRST PACIFIC COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

Website: <http://www.firstpacco.com>

**(Stock Code: 00142)**

### **MATERIAL DILUTION OF INTEREST IN A MAJOR SUBSIDIARY RESULTING FROM THE PROPOSED SEPARATE LISTING OF A SUBSIDIARY OF PT INDOFOOD SUKSES MAKMUR TBK ON THE MAINBOARD OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED BY MEANS OF REVERSE TAKEOVER OF, AND PLACEMENT OF SHARES IN, CITYAXIS HOLDINGS LIMITED (FORMERLY KNOWN AS ISG ASIA LIMITED)**

#### **DISCLOSEABLE TRANSACTION**

#### **DISTRIBUTION IN SPECIE**

**Independent Financial Adviser to  
the Independent Board Committee and Shareholders**



**SOMERLEY LIMITED**

A letter from the Board is set out on pages 10 to 37 of this Circular. A letter from the Independent Board Committee containing its advice and recommendation to the Shareholders is set out on pages 38 to 39 of this Circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders is set out on pages 40 to 54 of this Circular.

A notice convening a special general meeting ("SGM") of the Company to be held at 10:30 a.m. on Monday, 8th January 2007 at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, is set out on pages 61 to 62 of this Circular. A form of proxy is also enclosed. Whether or not you intend to attend and vote at the SGM or any adjourned meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal office of the Company (Attention: Corporate Secretarial Department) at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

22nd December 2006

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## DEFINITIONS

*In this Circular, the following expressions shall have the following meanings unless the context requires otherwise:*

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “ADRs”                         | American depositary receipts of the ADSs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| “ADSs”                         | American depositary shares of PLDT, evidenced by ADRs, each ADS represents 1 share of common stock of PLDT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| “associate”                    | has the meaning ascribed to it in the Listing Rules                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “Assured Entitlement”          | an assured entitlement, pursuant to the Distribution in Specie, to receive Distribution Shares on the basis of up to 4 Distribution Shares for every whole multiple of 2,000 Shares held by each Qualifying Shareholder, comprising one board lot of Shares, at the close of business on the record date to be fixed for determining entitlements to the Distribution in Specie, or cash in lieu of all the Distribution Shares to which a Qualifying Shareholder is entitled, on and subject to the terms and conditions described in the section headed “Assured Entitlement” in the letter from the Board set out in this Circular |
| “Board”                        | the board of Directors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| “CityAxis”                     | CityAxis Holdings Limited (formerly known as ISG Asia Limited), a company incorporated in Singapore and whose shares are listed on the SGX-SESDAQ as at the Latest Practicable Date                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “CityAxis Consolidated Shares” | ordinary shares in the capital of CityAxis following the proposed consolidation of every ten (10) CityAxis Shares into one (1) CityAxis Consolidated Share following the completion of the Injection                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| “CityAxis EGM”                 | an extraordinary general meeting of CityAxis Shareholders to be held on 5th January 2007 in respect of the Injection and the Placement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| “CityAxis Shareholders”        | holders of CityAxis Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| “CityAxis Shares”              | ordinary shares in the capital of CityAxis, which expression shall, where the context admits, include the CityAxis Consolidated Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

## DEFINITIONS

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Company”                        | First Pacific Company Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| “controlling shareholder(s)”     | has the meaning ascribed to it in the Listing Rules                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| “Director(s)”                    | the director(s) of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| “Distribution in Specie”         | the proposed special dividend of the Company, to be satisfied by the distribution in specie by the Company of Distribution Shares to Qualifying Shareholders on the basis of an assured entitlement of up to 4 Distribution Share(s) for every whole multiple of 2,000 Shares held by each Qualifying Shareholder at the close of business on the record date to be fixed for determining entitlements to the Distribution in Specie, or cash in lieu of all the Distribution Shares to which a Qualifying Shareholder is entitled, on and subject to the terms and conditions described in the section headed “Assured Entitlement” in the letter from the Board set out in this Circular |
| “Distribution Shares”            | the CityAxis Shares to be distributed to Shareholders pursuant to the Distribution in Specie                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| “Entitled CityAxis Shareholders” | CityAxis Shareholders as at the Value Assurance Entitlement Date (other than holders of the Injection Consideration Shares and places under the Placement) who are eligible for the Value Assurance, if any                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| “EOF Business”                   | the businesses of owning and operating oil palm plantations and manufacturing and refining edible oils and fats undertaken by SIMP and its subsidiaries as at the Latest Practicable Date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| “EOF Group”                      | SIMP and its subsidiaries prior to completion of the Injection and CityAxis, SIMP and their respective subsidiaries upon completion of the Injection                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| “First Half Year 2006”           | the 6 months ended 30th June 2006                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| “FY 2004”                        | the financial year ended 31st December 2004                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| “FY 2005”                        | the financial year ended 31st December 2005                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

## DEFINITIONS

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|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Group”                         | the Company and its subsidiaries from time to time and a “member of the Group” shall be construed accordingly                                                                                                                                                                                                             |
| “HK\$”                          | Hong Kong dollars, the lawful currency of Hong Kong                                                                                                                                                                                                                                                                       |
| “Hong Kong”                     | the Hong Kong Special Administrative Region of the PRC                                                                                                                                                                                                                                                                    |
| “IDR”, “Rp.”                    | Indonesian Rupiah, the lawful currency of Indonesia                                                                                                                                                                                                                                                                       |
| “Independent Board Committee”   | the committee of Directors, consisting of Messrs. Graham L. Pickles, Professor Edward K. Y. Chen and David W. C. Tang, who are all Independent Non-Executive Directors, formed to advise the Shareholders in respect of the terms of the Injection and the Placement                                                      |
| “Independent Financial Adviser” | Somerley Limited, a licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Shareholders              |
| “Indofood”                      | PT Indofood Sukses Makmur Tbk, a company incorporated in Indonesia and whose shares are listed on the Jakarta and Surabaya Stock Exchanges and a 51.5% owned subsidiary of the Company                                                                                                                                    |
| “Indofood Non EOF Group”        | Indofood and its subsidiaries excluding the EOF Group                                                                                                                                                                                                                                                                     |
| “Injection”                     | the proposed injection of 90% indirect shareholding interests in SIMP, its subsidiaries and the EOF Business into CityAxis, through the acquisition by CityAxis of the entire issued share capital of SingCo 2, pursuant to the Injection Agreement                                                                       |
| “Injection Agreement”           | a conditional sale and purchase agreement dated 23rd August 2006 entered into between, inter alia, Indofood and CityAxis in respect of the Injection, as supplemented by a deed of ratification and accession dated 11th September 2006 executed by SingCo 1 in favour of the original parties to the foregoing agreement |

## DEFINITIONS

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Injection Consideration Shares” | 9,982,000,000 CityAxis Shares to be issued to SingCo 1 or as it or Indofood may direct upon completion of the Injection and which are proposed to be consolidated into 998,200,000 CityAxis Consolidated Shares prior to the Placement, in accordance with the terms of the Injection Agreement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “Latest Practicable Date”        | 19th December 2006, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| “Level Up!”                      | Level Up! International Holdings Pte. Ltd., a company incorporated in Singapore and a 25 % owned associate of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| “Listing Rules”                  | the Rules Governing the Listing of Securities on the Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| “Metro Pacific”                  | Metro Pacific Corporation, a company incorporated in the Philippines which has become an unlisted subsidiary of MPIC pursuant to a comprehensive reorganisation and recapitalisation plan with MPIC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| “MPIC”                           | Metro Pacific Investments Corporation, a company incorporated in the Philippines which was formed to undertake a comprehensive reorganization and recapitalization plan with Metro Pacific and which has its shares listed on the Philippine Stock Exchange and is indirectly owned as to approximately 95.9% by the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| “Non EOF Group”                  | the Group and its associates excluding the EOF Group                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| “Non-Qualifying Shareholder(s)”  | (1) Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date but whose addresses as shown in the register of members are in places outside Hong Kong in respect of whom the Directors consider the exclusion from the Assured Entitlement to be necessary or expedient on account of either the legal restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place; (2) without limitation to the generality of the foregoing, Shareholder(s) (including beneficial owners) who are located in the US or who are US Person(s) or who are located in the UK; and (3) Shareholders who are otherwise unable to make the certifications required in the Form of Election in order to be entitled to receive the Distribution in Specie |

## DEFINITIONS

|                           |                                                                                                                                                                                                                                                                                                                                         |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Philippines”             | the Republic of the Philippines                                                                                                                                                                                                                                                                                                         |
| “Php”, “Pesos”            | Philippine Pesos, the lawful currency of the Philippines                                                                                                                                                                                                                                                                                |
| “Placement”               | the proposed issue of up to 435 million new CityAxis Consolidated Shares by CityAxis after the completion of the Injection for the purposes of meeting the shareholding spread and distribution requirements of the SGX-ST and to raise funds for the enlarged CityAxis group. The Distribution Shares shall form part of the Placement |
| “Placement Price”         | the price at which the Placement Shares are issued pursuant to the Placement                                                                                                                                                                                                                                                            |
| “Placement Shares”        | new CityAxis Consolidated Shares to be issued by CityAxis pursuant to the Placement                                                                                                                                                                                                                                                     |
| “PLDT”                    | Philippine Long Distance Telephone Company, a company incorporated in the Philippines whose shares are listed on the Philippine Stock Exchange and the ADRs of which are listed on the New York Stock Exchange. PLDT is an associated company of the Company                                                                            |
| “PN 15”                   | Practice Note 15 of the Listing Rules                                                                                                                                                                                                                                                                                                   |
| “PRC”                     | the People’s Republic of China                                                                                                                                                                                                                                                                                                          |
| “Qualifying Shareholders” | Shareholders whose names appear on the register of members of the Company as at the close of business on the record date to be fixed for determining entitlements to the Distribution in Specie, other than Shareholders who are, or who are acting for the account or benefit of, Non Qualifying Shareholders                          |
| “Registrar”               | Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the Company’s Hong Kong branch share registrar                                                                                                                                              |
| “Retained Businesses”     | the businesses being conducted by the Non EOF Group                                                                                                                                                                                                                                                                                     |
| “S\$”                     | Singapore dollars, the lawful currency of Singapore                                                                                                                                                                                                                                                                                     |
| “Salim Group”             | Anthoni Salim, the Chairman, non-executive Director and controlling shareholder of the Company and his associates                                                                                                                                                                                                                       |

## DEFINITIONS

|                         |                                                                                                                                                                                                                  |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “SFO”                   | Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)                                                                                                                                             |
| “SGM”                   | the special general meeting of the Company convened to be held at 10:30 a.m. on Monday, 8th January 2007 by the notice of meeting set out on pages 61 to 62 of this Circular and any adjournment of that meeting |
| “SGX-SESDAQ”            | the SGX-ST Dealing and Automated Quotation System                                                                                                                                                                |
| “SGX-ST”                | Singapore Exchange Securities Trading Limited                                                                                                                                                                    |
| “SGX-ST Listing Manual” | the Listing Manual of the SGX-ST                                                                                                                                                                                 |
| “SGX-ST Mainboard”      | Mainboard of the SGX-ST                                                                                                                                                                                          |
| “Shareholders”          | shareholders of the Company                                                                                                                                                                                      |
| “Shares”                | ordinary share(s) of US\$0.01 each in the share capital of the Company                                                                                                                                           |
| “SIC”                   | Securities Industry Council of Singapore                                                                                                                                                                         |
| “SIMP”                  | PT Salim Ivomas Pratama, a company incorporated in Indonesia and as at the Latest Practicable Date, directly and indirectly owned as to 83.8% by Indofood                                                        |
| “Singapore”             | The Republic of Singapore                                                                                                                                                                                        |
| “Singapore Code”        | The Singapore Code on Takeovers and Mergers, as amended from time to time                                                                                                                                        |
| “SingCo 1”              | Indofood Singapore Holdings Pte. Ltd., a company incorporated in Singapore and an 83.8% owned subsidiary of Indofood as at the Latest Practicable Date                                                           |
| “SingCo 2”              | Indofood Oil & Fats Pte. Ltd., a company incorporated in Singapore and a wholly owned subsidiary of SingCo 1 as at the Latest Practicable Date                                                                   |
| “Stock Exchange”        | The Stock Exchange of Hong Kong Limited                                                                                                                                                                          |
| “UK”                    | the United Kingdom                                                                                                                                                                                               |
| “US”                    | the United States of America, its territories and possessions, any State of the United States, and the District of Columbia                                                                                      |



## DEFINITIONS

- “US\$” United States dollars, the lawful currency of the US
- “US Person” means, as defined in Rule 902 under the US Securities Act:
- i. any natural person resident in the US;
  - ii. any partnership or corporation organised or incorporated under the laws of the US;
  - iii. any estate of which any executor or administrator is a US person;
  - iv. any trust of which any trustee is a US person;
  - v. any agency or branch of a foreign entity located in the US;
  - vi. any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US person;
  - vii. any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the US; and
  - viii. any partnership or corporation if:
    - (A) organised or incorporated under the laws of any foreign jurisdiction; and
    - (B) formed by a US person principally for the purpose of investing in securities not registered under the Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of the US Securities Act) who are not natural persons, estates or trusts.

The following are not “US persons”:

- (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the US;

## DEFINITIONS

- (ii) an estate of which any professional fiduciary acting as executor or administrator is a US person if:
  - (A) an executor or administrator of the estate who is not a US person has sole or shared investment discretion with respect to the assets of the estate; and
  - (B) the estate is governed by foreign law;
- (iii) any trust of which any professional fiduciary acting as trustee is a US person, if a trustee who is not a US person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settler if the trust is revocable) is a US person;
- (iv) an employee benefit plan established and administered in accordance with the law of a country other than the US and customary practices and documentation of such country;
- (v) any agency or branch of a US person located outside the US if:
  - (A) the agency or branch operates for valid business reasons; and
  - (B) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and
- (vi) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organizations, their agencies, affiliates and pension plans

“US Securities Act”

the US Securities Act of 1933, as amended

## DEFINITIONS

|                                    |                                                                                                                                                                                       |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Value Assurance”                  | the compensation in cash to be paid by SingCo 1 to Entitled CityAxis Shareholders as more particularly described in the section of the letter from the Board headed “Value Assurance” |
| “Value Assurance Entitlement Date” | the books closure date to be determined by the board of directors of CityAxis to determine CityAxis Shareholders eligible for payment (if any) under the Value Assurance              |
| “%”                                | per cent.                                                                                                                                                                             |

*Note:* In this Circular, translations of quoted currency values are made on an approximate basis and at the rate of US\$1.00 = HK\$7.80 = IDR 9,150 = S\$1.56. Percentages and figures expressed in billions and millions have been rounded.

# LETTER FROM THE BOARD



## FIRST PACIFIC COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

*Website: <http://www.firstpacco.com>*

**(Stock Code: 00142)**

*Chairman:*

Anthoni Salim

*Executive Directors:*

Manuel V. Pangilinan

*(Managing Director and CEO)*

Edward A. Tortorici

Robert C. Nicholson

*Non-Executive Directors:*

Ambassador Albert F. del Rosario

Sutanto Djuhar

Tedy Djuhar

Ibrahim Risjad

Benny S. Santoso

*Registered Office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Hong Kong Principal Office:*

24th Floor

Two Exchange Square

8 Connaught Place

Central

Hong Kong

*Independent Non-Executive Directors:*

Graham L. Pickles

Professor Edward K.Y. Chen, *GBS, CBE, JP*

David W.C. Tang,

*OBE, Chevalier de L'Ordre des Arts et des Lettres*

22nd December 2006

*To the Shareholders*

Dear Sir or Madam,

**MATERIAL DILUTION OF INTEREST IN A MAJOR SUBSIDIARY  
RESULTING FROM THE PROPOSED SEPARATE LISTING  
OF A SUBSIDIARY OF PT INDOFOOD SUKSES MAKMUR TBK  
ON THE MAINBOARD OF THE SINGAPORE EXCHANGE SECURITIES  
TRADING LIMITED BY MEANS OF REVERSE TAKEOVER OF,  
AND PLACEMENT OF SHARES IN, CITYAXIS HOLDINGS LIMITED  
(FORMERLY KNOWN AS ISG ASIA LIMITED)**

**DISCLOSEABLE TRANSACTION**

**DISTRIBUTION IN SPECIE**

## LETTER FROM THE BOARD

### INTRODUCTION

Shareholders are reminded that on 24th August, 2006, the Company published an overseas regulatory announcement issued by Indofood that Indofood had entered into the Injection Agreement with, inter alia, CityAxis on 23rd August 2006 in respect of the Injection whereby SIMP and the EOF Business are proposed to be injected into CityAxis. Shareholders should further note that the consideration for the Injection in the amount of S\$392,691,880 will be settled by CityAxis by the allotment of the Injection Consideration Shares, representing approximately 98.7% of the enlarged share capital of CityAxis on completion of the Injection, to SingCo 1, resulting in a reverse takeover of CityAxis by Indofood through SingCo 1. The consideration of S\$392,691,880 was determined after arms length negotiations, on a willing buyer and willing seller basis, taking into account, inter alia, the net asset value, earnings and businesses of the EOF Business.

On 16th October 2006, the Company submitted an application to the Stock Exchange for approval of the Injection and the Placement and on 8th December 2006, the Stock Exchange approved such application subject to fulfillment of the conditions set out in the sections of this letter from the Board headed "Conditions Precedent of the Injection" and "The Placement."

The purposes of this Circular are:

- (a) to provide Shareholders with information on (i) the background to, the reasons for, and the benefits and effects of, the Injection and the Placement and such other information relating to the Injection and the Placement as is required by the Listing Rules and (ii) the Assured Entitlement;
- (b) to set out the recommendation from the Independent Board Committee to the Shareholders as to whether the terms of the Injection and the Placement are fair and reasonable, whether the Injection and the Placement are in the interests of the Company and its Shareholders as a whole and advising the Shareholders how to vote at the SGM in relation to the resolution to approve the Injection and the Placement;
- (c) to set out a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders as to whether the terms of the Injection and the Placement are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and
- (d) to give notice convening the SGM at which an ordinary resolution will be proposed for the Shareholders to consider and, if thought fit, approve the Injection and the Placement. The voting at the SGM will be conducted by way of a poll.

Shareholders should note that the Injection and the Placement are dependent on a number of factors and subject to a number of conditions, which may or may not be satisfied. Thus, there can be no assurance that the Injection and the Placement will proceed. Accordingly, Shareholders and other persons contemplating buying or selling Shares are reminded to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their positions.

## LETTER FROM THE BOARD

### OVERVIEW OF THE COMPANY'S PRINCIPAL BUSINESSES AND OPERATIONS

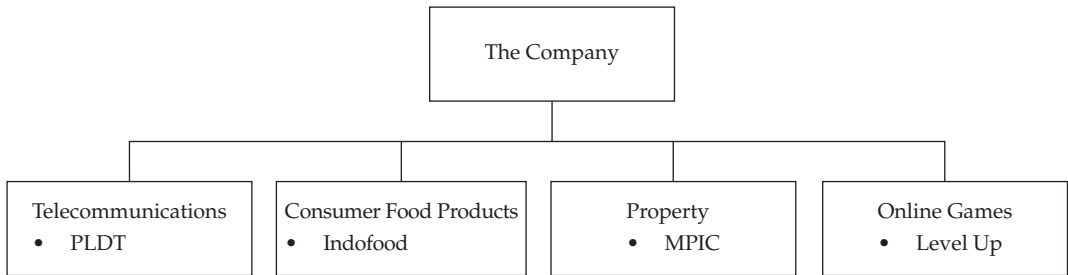
The Company currently has four principal business segments, namely:

- (a) **Telecommunications:** The Company holds economic and voting interests of approximately 24.3% and 30.7% respectively in PLDT which is the leading telecommunications service provider in the Philippines. PLDT has common shares listed on the Philippine Stock Exchange and ADRs listed on the New York Stock Exchange. It has one of the largest market capitalizations among Philippine listed companies. Through its three principal business groups, PLDT offers a wide range of telecommunications services: Wireless (principally through wholly-owned subsidiary company Smart Communications, Inc.); Fixed Line (principally through PLDT); and Information and Communications Technology (principally through wholly-owned subsidiary company ePLDT). PLDT has developed the Philippines' most extensive fiber optic backbone, cellular, fixed line and satellite networks. As announced on 15th December 2006, the Company is proposing to acquire an additional approximately 3.2% of PLDT's issued common share capital, completion of which would result in the Company holding an attributable economic interest of approximately 27.5% of PLDT's issued common share capital.
- (b) **Consumer Food Products:** The Company holds an approximately 51.5% shareholding interest in Indofood which is listed on the Jakarta and Surabaya Stock Exchanges. Indofood is one of the largest processed-food companies in Indonesia. It is based in Jakarta and, through several major business groups, Indofood conducts a wide range of food product related businesses including: Consumer Branded Products (Noodles, Nutrition and Special Foods, Snack Foods and Food Seasonings), Bogasari (flour and pasta), Edible Oils and Fats (Plantations, Cooking Oils, Margarine and Shortening) and Distribution. Indofood is Indonesia's largest instant noodles manufacturer by volume. Indofood's flour milling facilities are the largest in Indonesia and among the biggest in the world in terms of production capacity in one location. It also has an extensive distribution network in the country.
- (c) **Property:** The Company also owns an approximately 95.9% economic interest in MPIC, a Philippines-based investment holding and management company which was formed to undertake a comprehensive reorganization and recapitalization plan with Metro Pacific, launched in early 2006. MPIC's shares are listed on the Philippine Stock Exchange and MPIC replaced Metro Pacific (also formerly listed on the Philippine Stock Exchange) pursuant to the reorganisation and recapitalisation plan, whereby Metro Pacific became MPIC's unlisted subsidiary, with MPIC owning approximately 96% of Metro Pacific. MPIC's initial business activity will be focused on its rapidly growing real estate subsidiary, Landco Pacific Corporation. However, its business activities are intended to expand into high-growth sectors of the Philippine economy, such as infrastructure. As announced by the Company on 5th December 2006, a consortium including MPIC has agreed to acquire an 83.97% interest in Maynilad Water Services Inc., which holds a Philippine Government concession to provide water and sewerage services in the area of West Metro Manila.

## LETTER FROM THE BOARD

- (d) **Online Games:** The Company holds a 25% shareholding interest in Level Up! which is the pioneer and leading online games publisher in the Philippines, Brazil and India. Online games are a rapidly growing segment of the global video game industry, and Level Up! focuses on online games in emerging markets.

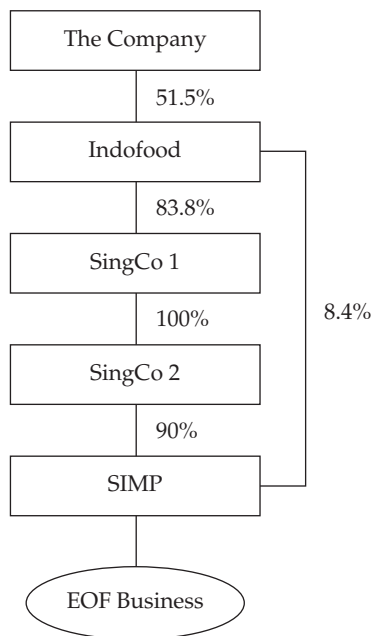
The four principal business segments of the Group and its associates as at the Latest Practicable Date are shown in the following chart:



### BACKGROUND TO THE INJECTION AND THE PLACEMENT

As a matter of background we set out below the shareholding structure of the Company and various of its subsidiaries relevant for the purposes of this Circular. As at the Latest Practicable Date, Indofood holds approximately 83.8% of SIMP. SIMP and its subsidiaries are primarily engaged in the EOF Business. The simplified shareholding structure of the relevant entities immediately prior to completion of the Injection will be as follows:

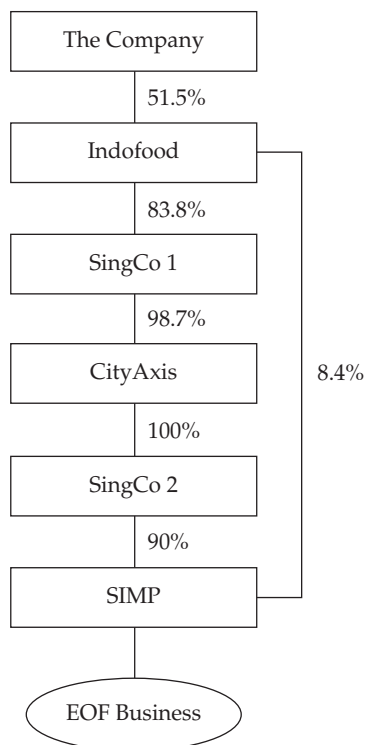
**Diagram 1:**



## LETTER FROM THE BOARD

Immediately on completion of the Injection, CityAxis will become an indirect subsidiary of Indofood, with Indofood controlling approximately 98.7% of CityAxis's then enlarged total number of issued shares. The existing public shareholders of CityAxis will have their interests diluted to approximately 1.3%. The simplified shareholding structure of the relevant entities immediately on completion of the Injection will be as follows:

**Diagram 2:**



## PROPOSED INJECTION AND PLACEMENT

### The Injection

As mentioned above, on 23rd August 2006, CityAxis entered into the Injection Agreement with, inter alia, Indofood whereby 90% indirect shareholding interest in SIMP and the EOF Business is proposed to be injected into CityAxis through the acquisition of the entire issued share capital of SingCo 2 by CityAxis for a consideration of S\$392,691,880 to be satisfied entirely by the issue to SingCo 1 (or to such persons as it or Indofood may direct) of the Injection Consideration Shares at an issue price of S\$0.03934 for each Injection Consideration Share. To the best of the Directors' knowledge, information and belief, the counterparties to the Injection Agreement, being CityAxis, Yeunh Oi Siong, Alex, and Kumpulan CityAxis Sdn. Bhd. (the latter two both being major shareholders of CityAxis prior to the proposed Injection and Placement), and the ultimate beneficial owners of those counterparties are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. Under the Injection Agreement, the injection of the 90% interest in SIMP and the EOF Business into CityAxis and the issue of the Injection Consideration Shares are inter conditional and the 90% interest in SIMP and



## LETTER FROM THE BOARD

the EOF Business will not be transferred to CityAxis unless the Injection Consideration Shares are issued at the same time.

It is a condition precedent to completion of the Injection that the disposal of the entire existing businesses of CityAxis and its subsidiaries shall have been completed and that CityAxis shall have made a distribution of cash by way of capital reduction and/or dividends so that immediately prior to completion of the Injection the net tangible assets of CityAxis will have been reduced to not less than S\$5,000,000. Accordingly, immediately prior to completion of the Injection CityAxis will essentially have become a listed shell.

In addition, as SingCo 1 will hold approximately 98.7% of the enlarged total number of issued CityAxis Shares immediately upon completion of the Injection, a change in control of CityAxis will arise as a result. Pursuant to the relevant rules of the SGX-ST Listing Manual, the Injection constitutes a "Very Substantial Acquisition" or "Reverse Takeover Transaction" as defined in Chapter 10 of the SGX-ST Listing Manual. Accordingly, the Injection is subject to the approval of CityAxis Shareholders and the SGX-ST pursuant to the SGX-ST Listing Manual. The issue of the Injection Consideration Shares pursuant to the Injection will also require CityAxis Shareholders' approval by way of an ordinary resolution under Section 161 of the Companies Act (Chapter 50 of Singapore) and the SGX-ST Listing Manual. Indofood has undertaken, *inter alia*, to provide and to procure that SingCo 1 provides such moratorium undertaking(s) (including not to dispose of any of the Injection Consideration Shares issued or to be issued to SingCo 1) as may be required under the relevant rules of the SGX-ST Listing Manual.

In conjunction with the Injection, CityAxis has made an application to the SGX-ST for the transfer of its listing from the SGX-SESDAQ to the SGX-ST Mainboard contingent upon the completion of the Injection and the Placement. The transfer of CityAxis's listing to the SGX-ST Mainboard is commensurate with the significantly enhanced market capitalisation and scale of CityAxis's business after the completion of the Injection and the Placement. The Injection Consideration Shares are to be listed on the SGX-ST Mainboard.

Under the SGX-ST Listing Manual, the SGX-ST may suspend trading of a listed company if less than 10% of its shares are held in the hands of the public. As SingCo 1 and/or its nominee(s) will hold approximately 98.7% of the enlarged total number of issued CityAxis Shares immediately upon completion of the Injection, trading in the CityAxis Shares will be suspended at that time pending completion of the Placement.

On 8th December 2006, the SGX-ST granted in-principle approval to CityAxis for the Injection, the transfer of the listing of CityAxis to the SGX-ST Mainboard and the listing and quotation of the Injection Consideration Shares and the Placement Shares on the SGX-ST Mainboard subject to, *inter alia*, the following conditions:

- (a) CityAxis Shareholders' approval being obtained at the CityAxis EGM in respect of the Injection and the Placement and the mandate referred to in the Conditions Precedent of the Injection numbered (a)(v) below;
- (b) compliance with the SGX-ST's listing requirements;

## LETTER FROM THE BOARD

- (c) compliance with Rules 113(2) and 210(5)(a) of the SGX-ST Listing Manual in relation to sponsorship and director disclosure;
- (d) disclosure of the basis of recognising the fair value of the CityAxis group's biological assets and gains/losses from changes thereof in all financial results announcements where such figures have not been reviewed by independent valuers and external auditors;
- (e) compliance with the shareholding spread requirements and distribution guidelines; and
- (f) compliance with the moratorium undertakings referred to above.

### Conditions Precedent of the Injection

The completion of the Injection Agreement, is conditional upon, *inter alia*:

- (a) the approval of CityAxis Shareholders being obtained at the CityAxis EGM for:
  - (i) the Injection including the issue of the Injection Consideration Shares to SingCo 1 (or as it or Indofood may direct);
  - (ii) the proposed consolidation of every 10 ordinary shares of CityAxis into one CityAxis Consolidated Share following the completion of the Injection and the grant of a general mandate to issue new shares;
  - (iii) the appointment of nominees of Indofood and/or SingCo1 as new directors of CityAxis;
  - (iv) the change of CityAxis's name to "Indofood Agri Resources Ltd." or such other name as SingCo 1 and/or Indofood may decide;
  - (v) the adoption of a mandate to be sought under Chapter 9 of the SGX-ST Listing Manual for, *inter alia*, the entry into by CityAxis and its subsidiaries and associated companies of ongoing or recurrent transactions with Indofood and its subsidiaries and/or the Salim Group which are of a revenue or trading nature and/or are necessary for the CityAxis group's day-to-day operations after the completion of the Injection; and
  - (vi) the issue of the Placement Shares under the Placement;
- (b) the approval of the independent shareholders of CityAxis being obtained at the CityAxis EGM for a proposed whitewash resolution pursuant to which the independent shareholders of CityAxis would waive their rights to receive a mandatory takeover offer from Indofood, SingCo1 and parties acting in concert

## LETTER FROM THE BOARD

- with them in connection with the issue of the Injection Consideration Shares under the Injection;
- (c) the approval of the SGX-ST for the Injection and if such approval is subject to conditions, such conditions being reasonably acceptable to CityAxis and Indofood and/or SingCo 1, and such approval remaining in full force and effect;
  - (d) the approval in-principle of the SGX-ST for the transfer of CityAxis's listing from SGX-SESDAQ to the SGX-ST Mainboard on completion of the Injection and the Placement, and for the listing and quotation of the Injection Consideration Shares, the Placement Shares and the CityAxis Consolidated Shares on the SGX-ST Mainboard (on conditions, if any, reasonably acceptable to Indofood and/or SingCo 1 and CityAxis) having been obtained and such approval remaining in full force and effect;
  - (e) the SIC having granted Indofood, SingCo 1 and parties acting in concert with them, and such grant remaining in full force and effect, a waiver of their obligation to make a general offer under Rule 14 of the Singapore Code for the CityAxis Shares not owned or controlled by Indofood, SingCo 1 or parties acting in concert with them and from having to comply with the requirements of Rule 14 of the Singapore Code, subject to the passing of the relevant resolution by CityAxis Shareholders and such other conditions that the SIC may impose which are reasonably acceptable to CityAxis and Indofood and/or SingCo 1;
  - (f) the approval of the shareholders of Indofood in general meeting for or in connection with the Injection having been obtained;
  - (g) all necessary waivers, consents and/or approvals of the Shareholders in general meeting, the Stock Exchange and/or the Listing Committee of the Stock Exchange having been obtained, to the extent required by and in accordance with the Listing Rules, for the transactions contemplated by the Injection Agreement (including but not limited to the Injection and the Placement);
  - (h) Indofood and/or SingCo 1 and CityAxis having undertaken and completed their respective due diligence investigations in respect of CityAxis and its subsidiaries and SIMP and the EOF Business (as the case may be) and the results of such due diligence investigations being in the relevant party's reasonable opinion, satisfactory;
  - (i) all material approvals, consents, licences, permits, waivers and exemptions for the Injection and the transactions contemplated under the Injection Agreement and all such approvals which are material for the carrying on of the business of CityAxis and its subsidiaries immediately after the completion of the Injection being granted by third parties including all authorities (including but not limited to the approval of the Indonesian Investment

## LETTER FROM THE BOARD

Coordinating Board (BKPM)) and where such approvals are subject to conditions, such conditions being reasonably acceptable to Indofood, SingCo 1 and/or CityAxis as the case may be, and such approvals remaining in full force and effect;

- (j) completion of an internal restructuring of Indofood and its subsidiaries in respect of SIMP and the EOF Business such that SIMP will be the holding company of the EOF Business and SingCo 2 will hold 90% of the entire issued share capital of SIMP prior to completion of the Injection;
- (k) the unaudited proforma consolidated net profit after tax and minority interests of the EOF Group for the FY 2005 (on the basis that the internal group restructuring detailed in paragraph (j) above was completed prior to the commencement of FY 2005) amounts to no less than Rp. 602.9 billion;
- (l) the completion of the disposal(s) of all of the existing businesses of CityAxis on or before 30th November 2006; and
- (m) completion of the proposed cash dividend(s) and/or capital reduction of CityAxis in accordance with the provisions of the Companies Act (Chapter 50 of Singapore) to effect a cash distribution to CityAxis Shareholders such that CityAxis shall have net tangible assets comprising cash of not less than S\$5,000,000 and a net tangible asset value per CityAxis Share of not less than S\$0.037 prior to completion of the Injection.

If any of the conditions precedent is not fulfilled or waived in accordance with the Injection Agreement on or before 31st March 2007 (or such later date as Indofood and/or SingCo 1 and CityAxis may agree in writing), the Injection Agreement shall lapse and the parties thereto will have no claim against the other save as provided in the Injection Agreement.

Completion of the Injection is to take place within seven (7) business days after the last in time of the conditions precedent is satisfied or waived or such other date as CityAxis, Indofood and/or SingCo 1 may agree.

Certain existing major CityAxis Shareholders, being independent third parties of the Company, who own and have an interest in CityAxis representing approximately 37.22% of the total number of issued CityAxis Shares as at the Latest Practicable Date, have undertaken to vote, and procure the voting of all such CityAxis Shares, in favour of the resolutions to be proposed at the CityAxis EGM.

In respect of the condition set out under paragraph (f) above, the Company which has a shareholding interest of approximately 51.5% of the capital of Indofood via its subsidiaries, has undertaken that it will procure its subsidiaries to vote all their shares in Indofood in favour of the resolutions which are to be proposed at the extraordinary general meeting of the shareholders of Indofood to approve the transactions contemplated by the Injection Agreement (including the Injection) if, *inter alia*, it is permitted to do so under

## LETTER FROM THE BOARD

the Listing Rules. The extraordinary general meeting of Indofood in connection with the Injection has been convened to be held on 22nd December 2006.

In respect of the condition set out under paragraph (g) above, members of the Salim Group, who hold in aggregate approximately 44.26% of the capital of the Company, have undertaken, *inter alia*, to the extent permitted by Listing Rules to vote their respective shares in the Company in favour of the resolution which is to be proposed at the SGM to approve the transactions contemplated by the Injection Agreement (including the Injection and the Placement).

### **The Placement**

On completion of the Injection, SingCo1 and/or its nominee(s) will own 9,982,000,000 new CityAxis Shares representing approximately 98.7% of the enlarged total number of issued CityAxis Shares, which would not meet the shareholding spread and distribution requirements set out in Rule 210(1) of the SGX-ST Listing Manual. To meet such shareholding spread and distribution requirements, (depending on the number of Placement Shares and assuming the Placement is undertaken at a price of S\$0.75 per CityAxis Consolidated Share) at least 12.0% or 15.0% of the total number of issued CityAxis Shares must be held in the hands of at least 1,000 public shareholders in order for CityAxis to maintain its listing status and have such listing on the SGX Mainboard.

Accordingly, the completion of the Injection is conditional upon CityAxis and Indofood being reasonably satisfied that no later than 30 days after completion of the Injection there shall be entered into a placement agreement between CityAxis and placement agent(s) in respect of the Placement, to place such number of new CityAxis Consolidated Shares to investors to, *inter alia*, meet the shareholding spread and distribution requirements set out in Rule 210(1) of the SGX-ST Listing Manual. Completion of the Placement is intended to take place within one month after the completion of the Injection or such period of time as may be permitted by the SGX-ST. In order to raise funds for the development of the EOF Business, approval of the CityAxis Shareholders at the CityAxis EGM will be sought for a Placement of up to 435,000,000 Placement Shares, representing approximately 30% of the enlarged total number of issued CityAxis Consolidated Shares immediately after completion of the Placement, and it is contemplated that up to that number of Placement Shares may be offered under the Placement, although the final offer size and price of the Placement is subject to market conditions at the relevant time and will only be finalised after completion of the Injection.

A Placement of 435,000,000 Placement Shares representing approximately 30% of the enlarged total number of issued CityAxis Consolidated Shares would result in a reduction of SingCo 1's percentage shareholding in CityAxis from approximately 98.7% to approximately 69%.

The issue of the new CityAxis Consolidated Shares pursuant to the Placement is subject to CityAxis shareholders' approval at the CityAxis EGM. It is also proposed that up to 6,525,000 new CityAxis Consolidated Shares will be available for distribution to Shareholders under the Placement by way of the proposed Distribution in Specie described below.

## LETTER FROM THE BOARD

On the second SGX-ST market day following the completion of the Injection, trading in the CityAxis Consolidated Shares on the SGX-ST will be suspended, which suspension will continue during the period allowed for the Placement. In the case where the Placement is not or is unable to be carried out within the period permitted by the SGX-ST, trading of the CityAxis Shares may continue to be suspended.

It is expected that the Placement Shares, if and when issued, will rank *pari passu* in all respects with the then existing CityAxis Consolidated Shares save for any dividends, rights, allotments or other distributions the record date for which falls before the date of issue of the Placement Shares. The Placement Shares will not rank for the Value Assurance.

### VALUE ASSURANCE

Indofood has undertaken, subject to the terms of the Injection Agreement, that in the event the Placement Price is less than S\$0.75 per Placement Share (equivalent to S\$0.075 per CityAxis share before the proposed CityAxis share consolidation), it shall procure that SingCo1 shall, subject to completion of the Injection and completion of the Placement, pay the Entitled CityAxis Shareholders, as soon as practicable after completion of the Placement, a compensation amount in cash for each CityAxis Consolidated Share held by such Entitled CityAxis Shareholders as at the record date for this purpose. The payment required to be made in these circumstances would be the amount equivalent to the difference, if any, between S\$0.75 and the Placement Price, subject always to a maximum compensation of S\$0.37 per CityAxis Consolidated Share held, which is equivalent to an aggregate maximum amount of S\$4,995,000. Only Entitled CityAxis Shareholders will be entitled to the Value Assurance, if any, described above.

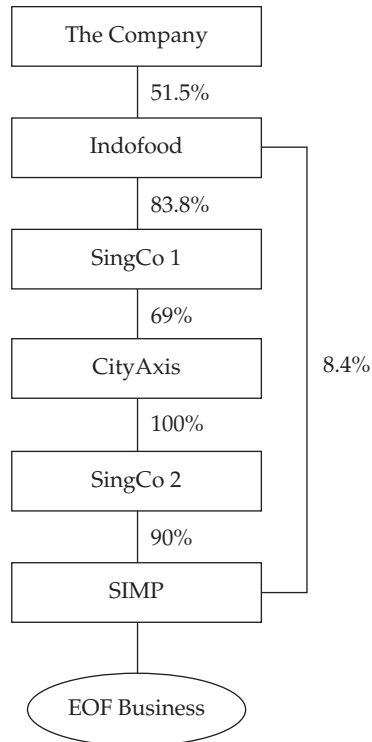
The purpose of the Value Assurance is to compensate Entitled CityAxis Shareholders in the event that the Placement Price is less than S\$0.75 per Placement Share in order that the economic value in the hands of the Entitled CityAxis Shareholders represented by the CityAxis Consolidated Shares held by them is not reduced below that amount by the Placement. This is subject to a maximum amount payable of S\$0.37 per CityAxis Consolidated Share, which is equal to the net tangible assets value per CityAxis Consolidated Share immediately following the disposal of assets and cash distributions made by CityAxis and before the Injection.

## LETTER FROM THE BOARD

### *On Completion of the Injection and the Placement*

On completion of the Injection, and assuming completion of the Placement on the basis described above, the simplified shareholding structure of the relevant entities would be as follows:

**Diagram 3:**



Upon completion of the Injection and the Placement, the Company will continue to be the holding company of all its existing businesses and SIMP will remain an indirect subsidiary of the Company. On completion of the Injection, CityAxis will also become an indirect subsidiary of the Company, the principal business of which will be the EOF Business. Indofood will continue to hold an indirect majority interest in the EOF Business on completion of the Injection and the Placement.

### **EOF BUSINESS**

#### **Background**

The EOF Business is one of Indonesia's major vertically-integrated manufacturers of edible oils and fats with a significant market share in the branded cooking oil, as well as the margarine and shortening segments in Indonesia.

The EOF Business's operations range from oil palm cultivation and milling to the refining, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products.

## LETTER FROM THE BOARD

As at 30th June 2006, the EOF Business employs approximately 15,000 permanent full time employees.

### **Plantations and CPO Production**

The EOF Business has a vast plantation land bank in Indonesia of approximately 138,000 hectares as at 30th June 2006, of which approximately 63,000 hectares are planted with oil palms and approximately 5,000 hectares with rubber. In addition, the EOF Business administers approximately 25,000 hectares of oil palm plantation land under the “**Plasma Programme**” in Indonesia as at 30th June 2006.

The Plasma Programme refers to the programme initiated by the government in Indonesia to encourage large oil palm plantation owners, such as SIMP and the EOF Business, to develop their surrounding smallholders’ plantations when applying for land rights for oil palm plantations. Once developed, these smallholders’ plantations are operated under the supervision of the developer.

On 16th August 2006, Indofood announced that SIMP had entered into a conditional agreement to acquire a 60% interest in several plantation companies which, upon completion, will increase the EOF Business’s plantation land bank in Indonesia by approximately 85,500 hectares.

The EOF Business has six operational mills located at the Riau province with the capacity to process up to 315 metric tonnes (“**MT**”) of fresh fruit bunches of oil palm (“**FFBs**”) per hour. Another mill in West Kalimantan with a projected capacity of 45 MT of FFBs per hour is currently under construction and is expected to be completed before the end of 2006.

In the FY 2005, the EOF Business’s oil palm plantations produced approximately 299,000 MT of crude palm oil (“**CPO**”), most of which were supplied to other subsidiaries of the EOF Business mainly for the manufacture of cooking oil, margarine and shortening. This represented about half of the CPO requirements of the EOF Business in the FY 2005. For the First Half Year 2006, the EOF Business’s oil palm plantations produced approximately 127,000 MT of CPO. By-products from the FFB milling process such as palm kernel which are not required for the EOF Business’s refining needs are generally sold to external parties.

Prior to the financial year ended 31st December 2004, the EOF Business was engaged in the sale of CPO to external parties. In the FY2004, in order to ensure the consistency in its product quality and to increase its self-sufficiency in CPO, the EOF Business decided to dedicate the majority of its CPO production for its own cooking oil and fats manufacturing needs. During the same period, the EOF Business ceased the trading of spot and forward contracts on palm oil based commodities (such as CPO, palm kernel oil, RBD palm oil and RBD palm stearine) in domestic and foreign markets as one of its core activities so as to focus its efforts on its plantations, cooking oil and fats as well as its copra-based businesses. Currently, the EOF Business undertakes a small amount of such trading of palm oil-based commodities on an ad-hoc basis mainly as an ancillary service to customers who request for such services.



## LETTER FROM THE BOARD

### **Refining of CPO into cooking oil, margarine, shortening and other palm oil derivative products**

The EOF Business also owns and operates four strategically located refineries in the Indonesian cities of Jakarta, Surabaya, Bitung and Medan. The Surabaya and Bitung refineries are located near deep draft ports which are logistically advantageous for transportation.

These refineries process CPO into “**Refined, Bleached and Deodorised**” (“RBD”) palm oil which is then fractionated into RBD palm olein and RBD palm stearine. These in turn are further processed and/or packaged into the EOF Business’s own brands of cooking oil as well as margarine and shortening for sale in Indonesia and abroad. The EOF Business also produces and sells a small amount of palm oil derivatives and by-products such as RBD palm stearine and palm fatty acid distillate. The EOF Business’s refineries have a cumulative capacity to process approximately 2,950 MT of CPO daily.

The EOF Business’s key products comprise cooking oil as well as margarine and shortening for both the industrial and consumer segments. For the latter, the EOF Business’s products are sold to end consumers in Indonesia under its own brands of “**Bimoli**”, “**Bimoli Spesial**”, “**Delima**”, “**Happy Salad Oil**” and “**Mahakam**” for cooking oil and “**Simas Margarine Dapur**”, “**Simas Spesial**” and “**Amanda**” for consumer margarine and “**Palmia**”, “**Simas**” and “**Amanda**” for industrial margarine and shortening. The EOF Business currently enjoys a significant market share of the branded cooking oil as well as margarine and shortening segments in Indonesia where its products are sold through approximately 230,000 retail outlets. The EOF Business distributes its products throughout Indonesia through national, regional and district distributors as well as through direct sales.

### **Manufacture of coconut oil and related products**

The EOF Business also owns and operates two strategically located copra crushing plants in Indonesia, namely in Bitung in North Sulawesi and Moutong in Central Sulawesi, which are engaged in the manufacture and export of crude and RBD coconut oil and its by-products to third parties. In the FY 2005 and the First Half Year 2006, nearly all of the EOF Business’s production of crude coconut oil and its derivative products were exported to oleochemical plants located in the United States of America, Europe and South Korea. By-products such as copra pellets were sold mainly to animal feed markets in South Korea.

### **Net book value and net profits of SIMP and the EOF Business**

The net book value of SIMP and the EOF Business as at 31st December 2005 was approximately US\$267.5 million.

The net profits of SIMP and the EOF Business before and after taxation and extraordinary items for the financial year ended 31st December 2005 were approximately US\$84.1 million and approximately US\$47.6 million, respectively. The net profits of SIMP

## LETTER FROM THE BOARD

and the EOF Business before and after taxation and extraordinary items for the financial year ended 31st December 2004 were approximately US\$101.4 million and approximately US\$56.4 million, respectively.

### REASONS FOR, AND BENEFITS OF, THE INJECTION AND THE PLACEMENT

The directors of the Company believe that the proposed listing of the EOF Business through CityAxis on the SGX-ST Mainboard will bring about a number of benefits to both the Company and CityAxis:

- (a) ***Fair valuation for EOF Business:*** a separate listing of the EOF Business through CityAxis is expected to allow it to achieve its fair valuation potential, which in turn is expected to increase the value of shares in Indofood and be beneficial to the Company as a substantial shareholder of Indofood and CityAxis and enhance its shareholders' value.
- (b) ***Clarity of business and financial status:*** a separate listing of the EOF Business through CityAxis is expected to provide investors, the investment market and rating agencies with greater clarity on the businesses and financial status of the EOF Business.
- (c) ***Providing new sources of capital:*** a separate listing of the EOF Business through CityAxis on the SGX-ST Mainboard is expected to enable the EOF Business through CityAxis to independently access both equity and debt capital markets, as well as the bank credit market, on potentially more advantageous terms than are presently available to it. Hence this is expected to provide new and more diversified funding sources to finance the EOF Business' existing operations and future expansion as well as a wider investor base.
- (d) ***Continued Control:*** the Company will remain a controlling shareholder of Indofood and the EOF Business, the Company's shareholders will continue to enjoy the benefits from future development and growth of the EOF Business.

The directors of the Company believe that the proposed transactions would deliver significant added value to the Company and its shareholders as the Company will remain a controlling shareholder of Indofood and the EOF Business and the Company's shareholders will therefore continue to enjoy the benefits from future development and growth of the EOF Business.

### FINANCIAL EFFECTS OF THE INJECTION AND THE PLACEMENT

The audited consolidated net profit attributable to the Shareholders for the year ended 31st December 2005 was US\$103.0 million after tax and US\$165.4 million before tax and the audited consolidated net profit of the Group for the year ended 31st December 2004 was US\$123.9 million after tax and US\$181.3 million before tax, respectively. The unaudited consolidated net profit attributable to the Shareholders for the six months ended 30th June 2006 was US\$72.2 million after tax and US\$136.9 million before tax.

## LETTER FROM THE BOARD

The audited consolidated net assets of the Group as at 31st December 2005 and 31st December 2004 were US\$382.8 million and US\$227.4 million, respectively. The unaudited consolidated net assets of the Group as at 30th June 2006 were US\$446.9 million.

Following completion of the Injection and the Placement, the Company's effective attributable interest in SIMP will decrease from approximately 43.2% to approximately 31.1% assuming the Placement of approximately 30% new CityAxis Shares. The Group is expected to recognize a gain on a deemed disposal of a 12.1% interest in SIMP of approximately US\$25.7 million, subject to the final Placement Price and the actual timing of completion of the Placement. As a result, the net asset value of the Group is expected to increase upon completion of the Injection and the Placement.

There were 3,188,833,003 Shares in issue as at 31st December 2005. On the basis that the consolidated net asset value of the Group was approximately US\$382.8 million as at 31st December 2005 and the Injection and the Placement would have been completed on 31st December 2005, it would have resulted in an increase in the consolidated net asset value to approximately US\$408.5 million and an increase in the consolidated net asset value per Share from US\$0.1200 to US\$0.1281.

On the assumption that the Injection and the Placement was completed on 31st December 2005, the consolidated net profit attributable to the Shareholders for the year ended 31st December 2005 would have increased by approximately US\$25.7 million or approximately US\$0.0081 per Share calculated based on 3,188,833,003 Shares in issue as at 31st December 2005.

SIMP is, and will remain, a subsidiary of the Group both before and after the Injection and Placement. Therefore, following completion of the Injection and the Placement, it is expected that there will be no impact on the turnover of the Group. However, the consolidated net profit attributable to the Shareholders will be reduced by an amount equal to approximately 12.1% of the profit contributed by SIMP as a result of the Injection and the Placement, which is an acceptable degree of dilution in view of the perceived benefits of the Injection and Placement. The new capital raised is expected to enhance the earning base of the EOF Business, which in turn is expected to benefit the Shareholders and compensate for the fairly modest degree of dilution.

### **RELATIONSHIPS BETWEEN THE NON EOF GROUP AND THE EOF GROUP**

#### **Non Competition**

Following completion of the Injection and the Placement, the Non EOF Group will not carry on any business activities that directly compete with the activities of the EOF Group for so long as Indofood directly or indirectly holds not less than a 15% shareholding interest in CityAxis.

## LETTER FROM THE BOARD

No material back office functions or other administrative support functions are, as at the Latest Practicable Date, or are anticipated to be, upon completion of the Injection, shared between the Company and the EOF Group.

### **Transactions between the SIMP/EOF Businesses and the Indofood Non EOF Group**

There are existing and anticipated commercial transactions between SIMP and the EOF Business and Indofood Non EOF Group involving the sales and purchase of certain products, packaging and logistical services and financial arrangements. Although each of SIMP and Indofood is an indirect non wholly owned subsidiary of the Company, neither of them constitutes a connected person of the Company as notes 1 and 2 of Rule 14A.11(5) of the Listing Rules apply in this instance. Accordingly, none of Indofood, SIMP or CityAxis are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, such transactions do not constitute connected transactions or continuing connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules.

### *Continuing Connected Transactions*

The following sets out the existing and anticipated transactions between SIMP and the Salim Group. Members of the Salim Group are connected persons of the Company for the purposes of Chapter 14A of the Listing Rules and, accordingly, each of the following transactions is a continuing connected transaction of the Company for the purposes of the Listing Rules. Each of those transactions is either exempt from the reporting, announcement and independent shareholders' approval requirements as a de minimis transaction under Rule 14A.33(3) of the Listing Rules or is exempt from the independent shareholders' approval requirements by virtue of Rule 14A.34 of the Listing Rules and, in the latter case, has previously been publicly announced by the Company. The applicable annual caps for the current financial year in respect of those transactions which are exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules are set out below.

#### *(a) Sales transactions*

SIMP sells CPO and other palm-based intermediate products to the Salim Group from time to time. Currently, such sales comprise mainly the sale of CPO for use as an additive to produce feedmeal by the Salim Group. The revenue received by SIMP from such sales for the two financial years ended 31st December 2005 and the applicable annual caps for the current financial year are as follows:

| <b>FY 2004</b>                                                        | <b>FY 2005</b>                                                       | <b>Annual Caps for 2006</b>                                                                                                                                                            |
|-----------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Rp12.0 billion<br>(approximately<br>equivalent to<br>US\$1.3 million) | Rp6.6 billion<br>(approximately<br>equivalent to<br>US\$0.7 million) | Nil (exempt from the reporting,<br>announcement and independent<br>shareholders' approval<br>requirements as a de minimis<br>transaction under Rule 14A.33(3)<br>of the Listing Rules) |

## LETTER FROM THE BOARD

These transactions were entered into on an arm's length basis.

(b) *Purchase of services*

The EOF Business purchases various services from the Salim Group from time to time including land freight transportation services for transporting CPO, pump services for loading CPO into vessels, lease of satellite communications facilities for data communications, property all risk insurance and marine cargo insurance. The amounts paid by the EOF Business for such services for the two financial years ended 31st December 2005 and the applicable annual caps for the current financial year which have previously been announced are as follows:

| <b>FY 2004</b>                                                        | <b>FY 2005</b>                                                       | <b>Annual Caps for 2006</b>                                                        |
|-----------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Rp14.0 billion<br>(approximately<br>equivalent to<br>US\$1.6 million) | Rp8.8 billion<br>(approximately<br>equivalent to<br>US\$0.9 million) | Rp16.1 billion<br>(approximately equivalent to<br>US\$1.7 million)<br>in aggregate |

These transactions were entered into on an arm's length basis.

(c) *Rental of Land*

Since 1996, the Salim Group has granted SIMP the right to use various parcels of land located at North Jakarta with an aggregate area of approximately 19,875 square metres under a lease agreement dated 1st June 1996. Under the lease agreement, SIMP made a one-time lump sum payment of Rp11 billion of pre-paid rental for the lease period from 1st June 1996 up to June 2016. The EOF Business amortises the pre-paid rental in its financial statements in respect of the land over 20 years, being the period of the lease.

These transactions were entered into on an arm's length basis.

The EOF Business's Jakarta refinery is currently sited on the land and on two other parcels of land located at North Jakarta with an aggregate area of approximately 17,830 square meters. The use of these other parcels of land was granted by the Salim Group to SIMP pursuant to agreements dated 31st March 1990 and 2nd October 1991. Under the agreements, no rent is payable and no lease period is specified.

(d) *Plantation Acquisition*

As disclosed in the Company's announcement dated 23rd August 2006, SIMP entered into a conditional agreement with Rascal Holdings Limited, an associate of Mr. Anthoni Salim on 16th August 2006, for the acquisition of a 60% shareholding interest in PT Swadaya Bhakti Negaramas, PT Mentari Subur Abadi and PT Mega Citra Perdana for an aggregate purchase price of Rp125 billion payable in cash. Subject, inter alia, to the necessary approvals being obtained, the completion of such acquisition is expected to be completed in the first quarter of 2007. This transaction was entered into on an arm's length basis. Such plantation acquisitions and the Injection are not inter-conditional.

## LETTER FROM THE BOARD

### INFORMATION ON THE RETAINED BUSINESSES

Following completion of the Injection and the Placement, the Company will remain the holding company of its existing businesses and will have a sufficient level of operations and assets of its own, excluding its interest in the EOF Group, to support its separate listing status and satisfy independently the requirements of Chapter 8 of the Listing Rules.

The Non EOF Group employs over 31,608 members of staff to operate its business. Its net asset value is in excess of US\$244.9 million.

### PLDT

For the FY 2005 and the First Half Year 2006, PLDT recorded a turnover of approximately US\$2,201.3 million and US\$1,162.9 million respectively.

PLDT contributed recurring profits of approximately US\$132.2 million and US\$66.5 million to the Company in the FY 2005 and the First Half Year 2006 respectively, representing approximately 85.7% and 75.8%, respectively, of the Company's FY 2005 and First Half Year 2006 contribution from operations. PLDT's wireless product and service offerings cover a broad spectrum of demographic and market segments. Wireless services consist of wireless voice communications, wireless data communications (primarily through text messaging) and a variety of other value-added services. PLDT's fixed line business reported revenues of approximately US\$903.0 million and US\$462.5 million for the FY 2005 and the First Half Year 2006 respectively. ePLDT, the information and communications technology arm of PLDT, is a broad-based integrated information and communications technology operator and service provider. Its principal operations include an internet data center; call centers; and internet and game operations provided through subsidiaries. ePLDT reported revenues of approximately US\$53.7 million and US\$34.5 million for the FY 2005 and the First Half Year 2006, reflecting strong growth in its various business segments. Call centers represent a growth area for the PLDT group, and the industry has grown exponentially in recent years with the Philippines becoming an increasingly attractive site for business process outsourcing ("BPO"). Consolidated call center revenues grew from an increase in capacity utilization and business expansion. As at 30th June 2006, its call centers have 4,660 seats operating in seven locations. On 11th July 2006, PLDT expanded its business portfolio to the global BPO market by acquiring the full ownership of SPi Technologies, Inc. ("SPi") which ranked as the world's second largest pure-play BPO service provider and the ninth largest independent BPO company. SPi's principal businesses include content editorial and production, litigation support coding and electronic discovery, medical transcription, and database structuring and management. This acquisition increased ePLDT's service seats to 8,300. ePLDT expanded its online game business netGames by acquiring a 60% interest in Level Up!'s Philippines subsidiary and 20% interest in PhilWeb which is an internet-based gaming company.

The PLDT Group continues to upgrade its network to the Next Generation Network which will enable it to offer a growing range of innovative value-added and broadband services with network infrastructure now capable of cheaper and faster transmission of voice, video and data. In particular, the expansion of the PLDT Group's fixed and wireless

## LETTER FROM THE BOARD

broadband facilities, complemented by its growing base of internet cafes, will allow the PLDT Group to offer broadband services in more areas at various speed and price points that are designed to attract a broad base of internet users. ePLDT's recent acquisition of a 60% interest in Level Up! Philippines, coupled with its other investments, is also anticipated to provide the Group access to rich and compelling content that will be made available to both fixed line and wireless subscribers. In addition, while 3G services in the country will initially be limited to the high-end market until such time as handset prices come down, the PLDT Group is rapidly building out its 3G network in key areas while encouraging subscribers to use the service for high-speed internet browsing, video streaming and video calling.

As at 30th June 2006, PLDT and its subsidiaries employ approximately 20,618 full time employees.

### **Indofood**

For the FY 2005 and the First Half Year 2006, Indofood recorded a turnover of approximately US\$1,923.4 million and US\$1,104.7 million respectively (such figures include contributions from the EOF Business). Approximately 16% and 14% of its revenues for the respective financial periods were contributed from the EOF Business.

As at 30th June 2006, Indofood and its subsidiaries (including SIMP and the EOF Business) employ approximately 45,633 full time employees.

Indofood contributed recurring profits of approximately US\$29.6 million and US\$23.8 million to the Company in the FY 2005 and the First Half Year 2006 respectively.

For the FY 2005, Indofood maintained its leading market share in key product categories: a 74% share of the noodles market; a 59% share of the nutrition and special food market; a 42% share of the snacks food market; a 65% share of the flour market; a 42% share of the branded cooking oil market; and a 59% share of the margarine and shortening market.

Noodles is the largest of Indofood's operating segments. In addition to the basic noodle production operations, Indofood's noodles business also comprises food ingredients and packaging businesses which offer a supply chain to its instant noodle operations. It offers some 130 noodle varieties to the retail marketplace, covering high-end, middle and lower-priced categories. Indofood's primary noodle product is fried and soup-style instant noodles, and its most popular brands include *Indomie*, *Sarimi* and *Supermi*. Its value-added products include instant noodles in cups and rice vermicelli *Pop Bihun*. With 14 production facilities located across Indonesia, Indofood has an annual production capacity of approximately 13.5 billion packs. During the FY 2005 and the First Half Year 2006, sales volumes reached approximately 9.5 billion and approximately 5.5 billion packs respectively and turnover for the FY 2005 and the First Half Year 2006 was approximately US\$633.3 million and US\$383.2 million respectively.

## LETTER FROM THE BOARD

Food seasoning products include soy, chili and tomato sauces, a range of powdered condiments and instant recipe mixes. Since 2001, Indofood has introduced more than 80 new products, and provides the widest range of food seasoning products available from any single manufacturer in Indonesia. This segment recorded a turnover of approximately US\$30.4 million and US\$17.3 million in the FY 2005 and the First Half Year 2006 respectively. In April 2005, Indofood started a joint venture with Nestle S.A., namely PT Nestle Indofood Citrarasa Indonesia, to market culinary products in Indonesia of both Indofood and Nestle. This provides an opportunity to combine Nestle's expertise in marketing and research with Indofood's skill in producing food seasonings and distribution.

Indofood is the leading manufacturer of branded modern packaged snack foods in Indonesia. It produces potato chips and extruded products such as puffs and chocolate coated snacks, which are sold under various brand names, such as *Chiki*, *Cheetos*, *Chitato*, *Lays*, *JetZ*, *Tenny* and *Tradia*. Turnover for the FY 2005 and the First Half Year 2006 amounted to approximately US\$30.9 million and US\$20.9 million respectively.

Indofood's Bogasari group comprises its flour and pasta production businesses. Bogasari can support an annual production capacity of 3.8 million tons of flour and its products are distributed primarily under the *Cakra Kembar*, *Segitiga Biru* and *Lencana Merah* brand names, which are widely recognized by consumers in Indonesia. During the FY 2005 and the First Half Year 2006, it reported a turnover of approximately US\$787.3 million and US\$448.9 million respectively. Bogasari has increased its research and development efforts since deregulation in 1999 with the introduction of new products for different end user market segments.

Indofood's nutrition and special food products are distinguished from others in the Indonesian baby food market by the use of adapted traditional Indonesian ingredients, such as brown rice and mung beans. Its principal baby food brands are *Promina* and *SUN*. Its turnover for the FY 2005 and the First Half Year 2006 amounted to approximately US\$35.7 million and US\$19.6 million respectively.

Indofood's consumer food products are distributed to over 160,000 outlets throughout Indonesia. Distribution reported a turnover of approximately US\$242.8 million and US\$154.4 million in the FY 2005 and the First Half Year 2006 respectively.

### **Metro Pacific/MPIC**

Metro Pacific/MPIC contributed a recurring loss of approximately US\$6.0 million and US\$1.4 million in the FY 2005 and the First Half Year 2006 respectively. Five years after Metro Pacific entered a self-administered debt reduction and corporate rehabilitation program, Metro Pacific has successfully reduced its parent company bank debt to approximately US\$13.8 million and US\$10.7 million as at 31st December 2005 and 30th June 2006 respectively. Consolidated revenues of Metro Pacific/MPIC for the FY 2005 and the First Half Year 2006 amounted to approximately US\$62.7 million and US\$31.8 million reflecting higher revenues from Landco, a diversified property developer 51% owned by MPIC. Landco is preparing for an accelerated growth plan that seeks to expand its business activity significantly over the next five years. In the FY 2005, joint-venture agreements



## LETTER FROM THE BOARD

were signed with a number of landowning groups for Landco to develop, brand, and market over 1,300 hectares of property located in prime areas across the Philippines. Negros Navigation Co., Inc. (“Nenaco”) is a 99.0% owned subsidiary of Metro Pacific/MPIC. After the commencement of a court-administered debt and business restructuring program in 2004, Nenaco reported a net loss of approximately US\$2.3 million and US\$4.4 million in the FY 2005 and the First Half Year 2006. Nenaco has suffered from over capacity in the domestic shipping industry in the Philippines and decreasing margins.

On 27th March 2006, Metro Pacific announced a recapitalization and reorganization plan to strengthen its capital base and reposition the company for new growth. The first stage of the plan, migrating Metro Pacific’s 51% owned subsidiary Landco to a newly established investment company, MPIC, was completed in April 2006. On 23rd August 2006, Metro Pacific received approval from the Philippine Securities and Exchange Commission to consolidate every 20 common shares of Metro Pacific into one new Metro Pacific share.

On 27th October 2006, MPIC launched a tender offer to purchase common shares held by Metro Pacific shareholders. The offer was to exchange every four Metro Pacific consolidated common shares for one new MPIC common share and, for Metro Pacific’s minority shareholders, three warrants to subscribe for three MPIC common shares at par. MPIC was listed on the Philippine Stock Exchange on 15th December 2006 and Metro Pacific became its unlisted subsidiary company. On completion of the reorganisation and recapitalisation plan, MPIC will be debt free, and capable of raising necessary funds to support its intended growth plans. Landco is expected to be able to accelerate the diversification of its market reach and expansion in the property sector in the Philippines. MPIC is also expected to actively seek investment opportunities, particularly in the infrastructure sector.

As at 30th June 2006, Metro Pacific/MPIC and its subsidiaries employ approximately 672 full time employees.

### **Level Up!**

The Company invested US\$15 million for a 25% interest in Level Up! in March 2005 and recorded a recurring loss of approximately US\$1.5 million and US\$1.2 million in the FY 2005 and the First Half Year 2006 respectively for its share of Level Up!’s post-acquisition loss, arising principally from the start up costs in its Brazilian and Indian operations. In the Philippines, Level Up! has achieved a market share of approximately 80% of paying subscribers, despite the entry of several competitors. The company began commercial operations in late 2003 with Ragnarok (developed by Gravity Co. Ltd.) which remains the most popular game and continues to dominate the online game market. In 2005 and 2006, Level Up! decided to build on its extensive client base by launching new games for different segments of the market. In April 2006, ePLDT, Inc., the information and communications technology division of PLDT, completed its acquisition of a 60% interest in Level Up!’s operation in the Philippines and plans to merge it with its online games operation by the first quarter of 2007.

## LETTER FROM THE BOARD

In Brazil, Ragnarok was commercially launched in February 2005 and is developing a good subscriber base. Level Up! has introduced new games in 2006 to attract players from other significant segments and will also be distributing game CDs and CD keys for leading games.

In India, Level Up! launched limited commercial service for Ragnarok in March 2006. Gradual growth is expected in India until the internet infrastructure and connectivity reach required levels over the next several years. Level Up! continues to build its distribution networks in several key metropolitan areas and to establish alliances with key marketing and distribution partners. India is a very early stage market with significant medium term potential; hence no significant revenues are expected in the short term.

As at 30th June 2006, Level Up! employs approximately 297 full time employees.

### **LISTING RULES IMPLICATIONS OF THE INJECTION AND THE PLACEMENT**

The provisions of PN 15 apply to the Injection and the Placement as completion of such transactions will result in a separate listing of SIMP and the EOF Business on the SGX-ST Mainboard through the reverse takeover of CityAxis. As the value of the assets, profits and revenue of SIMP constitutes more than 5% under the calculations of percentage ratios (as defined in the Listing Rules), SIMP constitutes a “major subsidiary” of the Company for the purposes of the Listing Rules. Furthermore, the Company’s preliminary assessment of percentage ratios arising from the disposal by virtue of the dilutive effect resulting from the issue of the Placement Shares pursuant to the Placement indicates that the Placement results in a “material dilution” of a major subsidiary for the purposes of the Listing Rules. Accordingly, the approval of the Shareholders will be required in respect of the Injection and the Placement in accordance with PN15.

One or more of the percentage ratios calculations in respect of the disposal of the Company’s interest in SIMP and the EOF Business resulting from the Injection and issue of the Placement Shares by SIMP pursuant to the Placement exceeds 5% and, accordingly, the Injection and the Placement constitute a discloseable transaction for the purposes of Chapter 14 of the Listing Rules.

CityAxis will not be listed on a stock market operated by the Stock Exchange and, accordingly, is not required to satisfy the requirements of the Listing Rules applying to new listing applicants.

At the SGM to consider the Injection and the Placement, the controlling shareholders of the Company are required to abstain from voting if they have a material interest in the proposal pursuant to PN15. The Company has only one controlling shareholder, the Chairman, Mr. Anthoni Salim, who holds (together with his associates under the Listing Rules) approximately 44.26% of the Shares. None of Mr. Anthoni Salim or any of his associates has an interest in the Injection and the Placement which is different from the interests of any other Shareholders. Accordingly, the controlling shareholder of the Company or his associates will not be required to abstain from voting.

## LETTER FROM THE BOARD

### ASSURED ENTITLEMENT

In order to satisfy the requirement of PN15 to provide Shareholders with an assured entitlement to enable Shareholders to participate in the Placement, the Board has passed resolutions approving the following:

- (i) subject to the Placement proceeding, the subscription by the Company of Placement Shares up to a maximum of 6,525,000 Placement Shares, representing 1.5% of the total maximum number of Placement Shares, as part of the Placement, in order to effect the Assured Entitlement by way of the Distribution in Specie;
- (ii) subject to the Placement proceeding and the subscription by the Company for Placement Shares contemplated in (i) above, the conditional declaration of a special dividend, payable to those Qualifying Shareholders whose names appear on the register of members of the Company at the close of business on the record date for the Distribution in Specie by way of a distribution in specie on the basis of up to four Distribution Shares for every 2,000 Shares held by them, representing one board lot of the Shares, at the close of business on the record date for the Distribution in Specie.

To effect the Distribution in Specie, the Company will subscribe for the relevant number of Placement Shares at the Placement Price per Placement Share paid by other subscribers under the Placement. Payments in respect of such subscription will be funded by the Company from its internal resources. The Directors consider the arrangement of up to four Distribution Shares for every 2,000 Shares held by Shareholders to be fair and reasonable.

### RECORD DATE FOR THE DISTRIBUTION IN SPECIE

The Distribution in Specie is conditional upon completion of the Injection and the Placement and will only occur if both the Injection and the Placement are completed. As referred to above, completion of the Injection is conditional upon CityAxis and Indofood being reasonably satisfied that no later than 30 days after completion of the Injection there shall be entered into a placement agreement between CityAxis and placing agent(s) and completion of the Placement is intended to take place within one month after the completion of the Injection or such other period of time as may be permitted by the SGX-ST. The current timetable contemplates completion of the Injection around the end of January 2007 with completion of the Placement occurring around mid February 2007. In view of this, the Directors will determine the record date for determining entitlements to the Distribution in Specie after the SGM and nearer the time of the Placement. One or more further announcements will be made notifying Shareholders of the record date and a document will be sent to Shareholders advising them of the procedures for qualifying for the Distribution in Specie. Shareholders will also be sent with that document a form of election to be completed and signed by Shareholders to certify that they are Qualifying Shareholders in respect of the Distribution in Specie. A Qualifying Shareholder holding 2,000 Shares or more may, by completing the appropriate box in the form of election, elect

## LETTER FROM THE BOARD

to receive a cash payment in lieu of all the Distribution Shares to which the Qualifying Shareholder would otherwise be entitled under the Distribution in Specie. Such cash payment will be calculated on the basis that each Distribution Share to which the relevant Qualifying Shareholder would otherwise have been entitled will be deemed to have a value equal to the price per Placement Share paid by places under the Placement.

### NON QUALIFYING SHAREHOLDERS

Pursuant to the Listing Rules, where a listed issuer proposes to distribute securities to its shareholders, it may, by virtue of Listing Rule 13.36(2), exclude relevant overseas shareholders in circumstances where the directors consider the exclusion to be necessary or expedient on account of either of legal restrictions under the laws of the relevant place whereby such shareholder is located or the requirements of the regulatory body or stock exchange in that place. Pursuant to the proposed Injection and Placement, the Directors have considered that the Non-Qualifying Shareholders will not be entitled to receive Distribution Shares. In this regard, the Company has received legal advice from US legal counsel to the effect that Distribution Shares could only be distributed to such persons who are located in the US or who are US Persons pursuant to a registration statement filed with and declared effective by the US SEC, and that such registration would potentially need to become effective prior to the distribution of this Circular, which the Directors concluded was not feasible in the circumstances. In respect of Shareholders based in the UK, the Directors have also received legal advice from UK legal counsel to the effect that it is unlawful for transferable securities (which would include the Distribution Shares) to be offered to the public unless an approved prospectus (complying with UK legislation and regulations) has been made available to the public before the offer is made. This is subject to a limited number of exceptions, none of which are applicable in the circumstances. Such a prospectus would need to be circulated to the UK based Shareholders prior to the distribution of this Circular, which the Directors concluded is not feasible in the circumstances.

The Directors, having made reasonable enquiries, are of the view that, in the absence of compliance with registration and other formalities, it would be unlawful and/or impractical for the Distribution Shares to be distributed to the Non-Qualifying Shareholders. Accordingly, no distribution of the Distribution Shares will be made to Non-Qualifying Shareholders pursuant to the Distribution in Specie. Non-Qualifying Shareholders will instead receive cash in lieu of the relevant number of Distribution Shares to which they would otherwise have been entitled, on the basis and subject to the conditions set out in this Circular. Such cash payment will be calculated on the basis that each Distribution Share to which the relevant Non Qualifying Shareholder would otherwise have been entitled will be deemed to have a value equal to the price per Placement Share paid by subscribers under the Placement.

### FRACTIONS OF DISTRIBUTION SHARES

Fractional entitlements to Distribution Shares will not be distributed to Qualifying Shareholders. Fractional entitlements to Qualifying Shareholders and to Non-Qualifying Shareholders will be aggregated and all whole number Distribution Shares arising from such aggregation will be sold in the market for the benefit of the Company, if a premium (net of expenses) can be achieved.

For the avoidance of doubt, the final cash amount payable to Qualifying Shareholders who elect to receive cash cannot be determined until the Placement is completed and a further announcement in this regard will be made by the Company at the appropriate time.

## LETTER FROM THE BOARD

**Shareholders should note that the Distribution in Specie is conditional upon completion of the Injection and the Placement, which is itself conditional upon the satisfaction of the conditions precedent set out in the section above entitled “Conditions Precedent of the Injection”. If the Injection and the Placement are not completed, the Distribution in Specie will not be made.**

### **SPECIAL GENERAL MEETING**

A notice convening the SGM to be held at 10:30 a.m. on Monday, 8th January 2007 at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong is set out on pages 61 to 62 of this Circular at which the Shareholders will be requested to consider and, if thought fit, approve an ordinary resolution to approve the Injection and the Placement. Voting on that resolution will be conducted by way of a poll.

The Independent Board Committee, comprising the independent Non-executive Directors, namely Messrs. Graham L. Pickles, Professor Edward K.Y. Chen, *GBS, CBE, JP* and David W.C. Tang, *OBE, Chevalier de L’Ordre des Arts et des Lettres*, has been appointed to advise the Shareholders as to whether or not the terms of the Injection and the Placement are fair and reasonable and in the interests of the Shareholders as a whole and to advise the Shareholders how to vote at the SGM.

Pursuant to paragraph 3(e) of PN 15, in cases where the spin-off proposal requires approval by shareholders of the Company, whether or not the controlling shareholder is required to abstain from voting, the Company must comply with the requirements set out in rules 13.39(6) and (7) of the Listing Rules. Rule 13.39(6) of the Listing Rules requires the Company to appoint an independent financial adviser to make recommendations to the Independent Board Committee and the Shareholders as to whether the terms of the relevant transaction or arrangement are fair and reasonable and whether the transaction is in the interests of the Company and its Shareholders as a whole and to advise Shareholders on how to vote in respect of the resolution to approve the transaction or arrangement. Furthermore, under Rule 13.39(7) of the Listing Rules, the Circular must contain at least a separate letter from the independent financial adviser containing its recommendation to the Independent Board Committee and Shareholders as to whether the terms of the relevant transaction or arrangement is in the interests of the Company and its Shareholders as a whole and advising Shareholders on how to vote in respect of the resolution to approve the transaction or arrangement. The letter from the independent financial adviser must set out the reasons for and the key assumptions made and factors taken into consideration in forming that opinion.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Shareholders as to whether or not the terms of the Injection and the Placement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Shareholders how to vote at the SGM.

## LETTER FROM THE BOARD

A form of proxy for use by the Shareholders at the SGM is enclosed. Whether or not you are available to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal office of the Company (Attention: Corporate Secretarial Department) at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 38 to 39 of this Circular which contains the recommendation of the Independent Board Committee to the Shareholders concerning the Injection and the Placement; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders set out on pages 40 to 54 of this Circular containing its advice to the Independent Board Committee and the Shareholders in this regard.

The Independent Financial Adviser, having taken into account the principal factors and reasons set out in its letter, is of the view that the Injection and the Placement are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Financial Adviser advises the Independent Board Committee to recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Injection and the Placement.

The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser in relation to the Injection and the Placement, considers that the terms of the Injection and the Placement are fair and reasonable so far as the Shareholders are concerned and that the Injection and the Placement are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Injection and the Placement.

The other Directors also consider that the terms of the Injection and the Placement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and, accordingly, the Board also recommends that the Shareholders vote in favour of the resolution to be proposed in relation to the Injection and the Placement at the SGM.

### GENERAL

**This Circular is being distributed to the Shareholders. This Circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. Neither this Circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.**

## LETTER FROM THE BOARD

Shareholders should note that the Injection, the Placement and the Distribution in Specie may or may not proceed in accordance with the terms set out above, or at all. The Board wishes to emphasise that the specific terms and timing of the Injection and the Placement may require certain consents and approvals, including the approval of the Shareholders, and subject to any further conditions that may be imposed by the SGX-ST and the SIC. Such consents and approvals may or may not be obtained. Furthermore, Shareholders should note that specific details in respect of the Placement and consequently the Distribution in Specie are subject to change, depending on the prevailing market conditions and demand at the relevant time. Shareholders are therefore urged to exercise caution when dealing in the Shares. An announcement will be made by the Company on the dispatch of this Circular. As referred to above, a further announcement will be made in relation to the Distribution in Specie after the SGM and nearer the time of the Placement and Shareholders will be sent a further document in relation to the procedures for qualifying for the Distribution in Specie, together with the requisite form of election in relation to the Distribution in Specie.

Further announcement(s) will also be made as and when appropriate in respect of any material developments relating to the Injection and the Placement and/or any material change in the information contained in this Circular.

Your attention is also drawn to the additional information set out in Appendix I to this Circular.

Yours faithfully,  
By Order of the Board of  
**First Pacific Company Limited**  
**Manuel V. Pangilinan**  
*Managing Director and CEO*



## FIRST PACIFIC COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

*Website: <http://www.firstpacco.com>*

**(Stock Code: 00142)**

22nd December 2006

*To the Shareholders*

Dear Sir or Madam,

**MATERIAL DILUTION OF INTEREST IN A MAJOR SUBSIDIARY  
RESULTING FROM THE PROPOSED SEPARATE LISTING  
OF A SUBSIDIARY OF PT INDOFOOD SUKSES MAKMUR TBK  
ON THE MAINBOARD OF THE SINGAPORE EXCHANGE SECURITIES  
TRADING LIMITED BY MEANS OF REVERSE TAKEOVER OF,  
AND PLACEMENT OF SHARES IN, CITYAXIS HOLDINGS LIMITED  
(FORMERLY KNOWN AS ISG ASIA LIMITED)**

**DISCLOSEABLE TRANSACTION**

**DISTRIBUTION IN SPECIE**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Injection and the Placement, details of which are set out in the "Letter from the Board" in the Circular dated 22nd December 2006, of which this letter forms part. Terms used in this letter have the same meanings as defined in the said Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 40 to 54 of this Circular, which contains its advice and recommendation to us as to whether or not the terms of the proposed separate listing of SIMP and the EOF Business on the SGX-ST Mainboard (including the Injection, the Placement and Distribution in Specie, each as described in the "Letter from the Board") are fair and reasonable so far as the Shareholders are concerned and in the interests of the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.



## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of, the Independent Financial Adviser as stated in its aforementioned letter of advice, we are of the opinion that the terms of the proposed separate listing of SIMP and the EOF Business on the SGX-ST Mainboard (including the Injection, the Placement and the Distribution in Specie) are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Injection and the Placement.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**  
**Messrs. Graham L. Pickles,**  
**Professor Edward K.Y. Chen, GBS, CBE, JP**  
**David W.C. Tang, OBE, Chevalier de L'Ordre**  
*des Arts et des Lettres*  
*Independent Non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of the letter of advice to the Independent Board Committee and the Shareholders prepared by the Independent Financial Adviser for the purpose of inclusion in this circular.*



SOMERLEY LIMITED  
Suite 2201, 22nd Floor  
Two International Finance Centre  
8 Finance Street  
Central

22nd December 2006

*To the Independent Board Committee and the Shareholders*

Dear Sirs,

**MATERIAL DILUTION OF INTEREST IN A MAJOR SUBSIDIARY  
RESULTING FROM THE PROPOSED SEPARATE LISTING  
OF A SUBSIDIARY OF PT INDOFOOD SUKSES MAKMUR TBK  
ON THE MAINBOARD OF THE SINGAPORE EXCHANGE SECURITIES  
TRADING LIMITED BY MEANS OF REVERSE TAKEOVER OF,  
AND PLACEMENT OF SHARES IN, CITYAXIS HOLDINGS LIMITED  
(FORMERLY KNOWN AS ISG ASIA LIMITED),  
DISCLOSEABLE TRANSACTION  
AND  
DISTRIBUTION IN SPECIE**

### INTRODUCTION

We refer to our appointment by the Company to advise you on the proposed separate listing of SIMP and the EOF Business on the SGX-ST Mainboard (the "Listing Proposal") by means of a reverse takeover of CityAxis through the Injection and the Placement. Details of the proposed Injection and the Placement are contained in the circular to the Shareholders dated 22nd December 2006 (the "Circular"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Listing Proposal requires Shareholders' approval under PN 15. The Independent Board Committee, comprising all of the three Independent Non-executive Directors, namely, Mr. Graham L. Pickles, Professor Edward K.Y. Chen and Mr. David W.C. Tang, has been established to make a recommendation to the Shareholders on whether the terms of the Listing Proposal are fair and reasonable so far as the Shareholders are concerned. We, Somerley Limited, have been appointed to advise the Independent Board Committee and the Shareholders in this regard.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Executive Directors and management of the Company and have assumed them to be true, accurate and complete at the time they were made and up to the date of the SGM. We have sought and received confirmation from the Executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or that any material facts have been withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the EOF Group or CityAxis group. We have also assumed that all representations contained or referred to in the Circular and made by the Directors were true at the date of the Circular and will continue to be true up to the date of the SGM.

### PRINCIPAL ELEMENTS OF THE LISTING PROPOSAL

#### 1. The Injection

On 23rd August 2006, Indofood entered into the Injection Agreement with CityAxis, pursuant to which CityAxis conditionally agreed to acquire the entire issued share capital of SingCo 2 for a consideration of S\$392,691,880 to be satisfied entirely by the issue to SingCo 1 (or to such persons as it or Indofood may direct) of the Injection Consideration Shares at an issue price of S\$0.03934 each. In conjunction with the Injection, CityAxis proposes to consolidate every ten existing CityAxis Shares into one CityAxis Consolidated Share and apply for a transfer of its listing from the SGX-SESDAQ to the SGX-ST Mainboard.

#### 2. The Placement

Immediately upon completion of the Injection, SingCo 1 will hold approximately 98.7% of the total number of issued CityAxis Consolidated Shares as enlarged by the Injection. Pursuant to Rule 210(1) of the SGX-ST Listing Manual, at least 12.0% or 15.0% of the issued share capital of CityAxis (depending on the structure of the Placement and assuming that Placement is undertaken at a price of S\$0.75 per CityAxis Consolidated Share) must be held in the hands of at least 1,000 public CityAxis Shareholders in order for CityAxis to maintain its listing status and have such listing on the SGX-ST Mainboard. Further, under Rule 724 of the SGX-ST Listing Manual, SGX-ST may suspend trading of the CityAxis Shares if less than the required 10% of the CityAxis Shares are held in the hands of the public. In order for CityAxis to meet the shareholding spread and distribution requirements set out in the SGX-ST Listing Manual, the Placement is expected to take place within one month after completion of the Injection or such period as may be permitted by the SGX-ST.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is currently being contemplated that a maximum of 435 million new CityAxis Consolidated Shares would be placed under the Placement, representing approximately 30% of the issued CityAxis Consolidated Shares as enlarged by the Placement. Indofood has undertaken that in the event the Placement Price is less than S\$0.75 per Placement Share, it shall procure that SingCo 1 shall, subject to completion of the Injection and the Placement, pay to the Entitled CityAxis Shareholders a compensation amount in cash for each CityAxis Consolidated Share held as at the record date for this purpose equivalent to the difference between S\$0.75 and the Placement Price, subject always to a maximum compensation of S\$0.37 per CityAxis Consolidated Share held.

Shareholders should note that the final structure of the Placement including the offer size and price of the Placement will only be finalised after completion of the Injection and is subject to factors such as stock market conditions at the relevant time.

### **3. The Distribution in Specie**

In recognition of the requirement to provide assured entitlements to the Shareholders under the Listing Rules in connection with the Listing Proposal, the Company will, subject to the Placement proceeding, subscribe for up to a maximum of 6,525,000 Placement Shares, representing approximately 1.5% of the total maximum number of Placement Shares and has conditionally declared, subject to the Placement proceeding and the subscription by the Company for the Placement Shares, a special dividend, payable to those Qualifying Shareholders whose names appear on the register of members of the Company at the close of business on the record date for the Distribution in Specie (to be announced by the Company) by way of a distribution in specie on the basis of up to four Distribution Shares for every whole multiple of 2,000 Shares held by them at the close of business on such record date. A Qualifying Shareholder holding 2,000 or more Shares may elect to receive a cash payment in lieu of all the Distribution Shares to which the Qualifying Shareholder would otherwise be entitled under the Distribution in Specie. Details of the Assured Entitlement are set out in the sections headed "Assured Entitlement", "Record Date for the Distribution in Specie", "Non Qualifying Shareholders" and "Fractions of Distribution Shares" in the letter from the Board contained in the Circular.

It should be noted that it is not within our terms of reference to advise the Qualifying Shareholders on whether to elect cash payment or the Distribution Shares. In this respect, the Qualifying Shareholders are recommended to consult their own professional advisers and refer to the information contained in the Circular. We have also not considered the tax consequences of the Injection, the Placement and the Distribution in Specie on the Shareholders since these are particular to their individual circumstances. In particular, Shareholders who are subject to overseas taxation on securities dealing should consider their own tax position with regard to the distribution by the Company of the Distribution Shares and, if in doubt, should consult their own professional advisers.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation with regard to the Listing Proposal, we have taken into account the following principal factors and reasons:

### **1. Business of the Group and the EOF Business**

The Company is a Hong Kong based investment and management company with operations located in Southeast Asia. The Group currently has four principal business segments, namely:

*(i) Telecommunications*

PLDT, an associated company in which the Company currently holds an approximately 24.3% economic interest and 30.7% voting interest, is the leading telecommunications company in the Philippines providing wireless, fixed line, and information and communications technology services. It is stated in the announcement of the Company dated 15th December 2006 that the Company is proposing to acquire an additional approximately 3.2% of PLDT's issued common share capital, completion of which would result in the Company holding an attributable economic interest of approximately 27.5% of PLDT's issued common share capital.

*(ii) Consumer food products*

Indofood, an approximately 51.5% owned subsidiary of the Group, is principally engaged in manufacturing and distributing consumer food products in Indonesia. The products include noodles, nutrition and special foods, snack foods, food seasonings, flour, pasta, and edible oils and fats. Prior to completion of the Listing Proposal, Indofood holds an approximately 83.8% attributable interest in the EOF Business of SIMP.

The EOF Business is one of Indonesia's major vertically-integrated manufacturers of edible oils and fats with a significant market share in the branded cooking oil, as well as the margarine and shortening segments in Indonesia. Its operations range from oil palm cultivation and milling to refining, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products. The oil palm plantations of the EOF Business are located in the Indonesian province of South Sumatra, Riau and west Kalimantan, and produce crude palm oil. The crude palm oil produced from the plantations is fractionated, processed and/or packaged into cooking oil as well as margarine and shortening under the brands of the EOF Business for sale in Indonesia and abroad. The EOF Business also operates two copra crushing plants in Indonesia to manufacture and export crude and refined, bleached and deodorised coconut oil and its by-products. The products are distributed through national, regional and district distributors as well as through direct sales in Indonesia.

*(iii) Property business*

MPIC, a subsidiary in which the Group currently owns an approximately 95.9% economic interest, was formed to undertake the reorganisation and recapitalisation plan with Metro Pacific. The shares of MPIC are listed on the Philippine Stock Exchange. MPIC replaced Metro Pacific (also formerly listed on the Philippine Stock Exchange) pursuant to the reorganisation and recapitalisation, whereby Metro Pacific became an approximately 96%-owned unlisted subsidiary of MPIC. MPIC initially focuses its business on its real estate subsidiary, Landco Pacific Corporation. Nevertheless, MPIC intends to expand its business into the high-growth sectors of the Philippine economy, such as infrastructure. As set out in the announcement of the Company dated 5th December 2006, a consortium including MPIC has agreed to acquire an 83.97% interest in Maynilad Water Services Inc., which holds a Philippine Government concession to provide water and sewerage services in the area of West Metro Manila.

*(iv) Online games*

In March 2005, the Group acquired a 25.0% equity interest in Level Up!, the principal activity of which is the provision of online games in emerging markets. Level Up! currently operates in the Philippines, Brazil and India.

**2. Benefits of the Listing Proposal**

As at 30th June 2006, the EOF Business has a plantation land bank in Indonesia of approximately 138,000 hectares, of which approximately 63,000 hectares were planted with oil palms and approximately 5,000 hectares with rubber. The EOF Business also administers approximately 25,000 hectares of oil palm plantation land under the "Plasma Programme" in Indonesia as at 30th June 2006 (this excludes approximately 5,000 hectares of land earmarked for the "Plasma Programme" which have not been administered). At present, most of the production from the oil palm tree plantations of the EOF Business is used by itself to manufacture cooking oil, margarine and shortening, with a view to reducing the reliance on outside supply and enhancing the production yield and cost efficiency of the manufacturing processes. Nevertheless, the existing oil palm tree plantations can only meet approximately 40% to 50% of EOF's internal requirement. It is the EOF Group's long term goal to acquire more plantations to increase production and support its internal use for manufacturing cooking oil, margarine and shortening. As stated in the annual report of Indofood for the year ended 31st December 2005, Indofood aims to own a total planted area of 250,000 hectares by 2015. The Directors advised us that it generally takes around four years to develop raw land into planted and productive oil palm plantations and substantial capital investments are required throughout the aforesaid development period.

With the aforesaid expansion plan in mind, the Placement is in our view an efficient method to raise additional financial resources to fund the capital requirements of the EOF Business. On the basis set out in the paragraph headed "The Placement" below, the equivalent of just over US\$200 million would be raised. The additional resources available

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

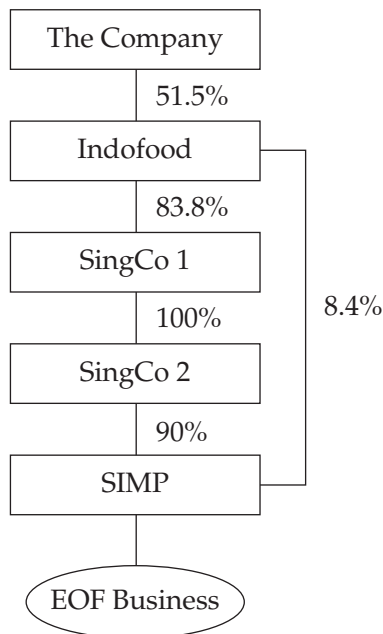
to the EOF Business through the Placement would enable the Non EOF Group to have more flexibility to deploy its financial resources to fund its other core businesses and/or other suitable investment opportunities in future. The Directors also believe that the separate listing status for the EOF Business through the implementation of the Listing Proposal will also result in a number of benefits to the Company and the Shareholders, including (a) achieving fair valuation potential of the EOF Business; (b) creating greater clarity of business and financial status of the EOF Business; (c) allowing the EOF Business to gain access to both equity and debt capital market and the bank credit market on potentially more advantageous terms than those presently available to it; and (d) diversifying the funding sources to finance the EOF Business' existing operations and future expansion as well as widening the investor base. We concur with the Directors' views in this regard.

### 3. The Injection

Pursuant to the Injection Agreement, CityAxis has conditionally agreed to acquire the entire issued share capital of SingCo 2 for a consideration of S\$392,691,880 which will be satisfied entirely by the issue to SingCo 1 (or to such persons as it or Indofood may direct) of the Injection Consideration Shares at an issue price of S\$0.03934 each.

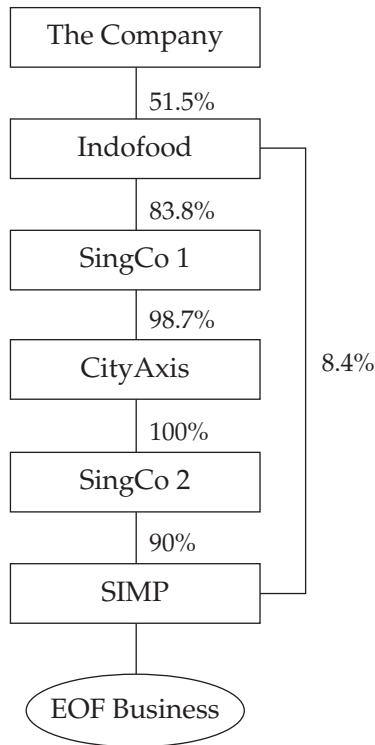
Set out below is the simplified ownership structure of the relevant entities of the EOF Business immediately before and after completion of the Injection but before the Placement:

*Before the Injection and the Placement:*



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Immediately after completion of the Injection but before the Placement:*



As shown in the charts above, Indofood (through SingCo 1) will control approximately 98.7% interest in CityAxis and the attributable interest of Indofood in the EOF Business will be reduced only by 1% (from approximately 83.8% to 82.8%) following completion of the Injection but before the Placement. In our view, the Injection should be regarded as a group restructuring which will effectively result in CityAxis becoming the intermediate holding company of the EOF Business for Indofood. We understand from the Directors that the consideration of S\$392,691,880 was determined after arm's length negotiations among parties to the Injection Agreement by reference to, among other things, the net asset value, earnings and business of the EOF Business. The consideration of S\$392,691,880 represents a historical price-earnings multiple of approximately 4.2 times based on the profit after tax and minority interests of approximately IDR542.6 billion (equivalent to approximately S\$92.6 million at the average exchange rate of IDR5,862/S\$ for the year of 2005) of the EOF Business attributable to SingCo 2 for the year ended 31st December 2005, which is well below the historical price-earnings multiples of the comparable companies set out in the paragraph headed "The Placement" below. However, we do not consider a price/earnings analysis or any other valuation techniques to be very significant in circumstance where Indofood (through SingCo 1) will maintain almost full control (approximately 98.7%) on CityAxis following the Injection. The dilution of Indofood's interest in the EOF Business by approximately 1%, in our opinion, may be regarded as the cost for obtaining control of the listed vehicle, CityAxis. The Injection is part and parcel of the entire Listing Proposal which generates the benefits as discussed in the paragraph headed "Benefits of the Listing Proposal" above. We do not consider such dilution as material in the context of those benefits and group reorganisation. It is expected



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

that the Injection and the Placement will increase the Group's net asset value and improve the Group's working capital and gearing as discussed in the paragraph headed "Effects of the Injection and the Placement on the Group" below. In this context, we consider the consideration of S\$392,691,880 to be fair and reasonable.

Completion of the Injection Agreement is subject to, inter alia, the disposal of all of the existing business of CityAxis and a cash distribution by CityAxis to its shareholders by way of a dividend and/or capital reduction such that CityAxis shall have net tangible assets comprising cash of not less than S\$5 million and net tangible asset value per CityAxis Share of not less than S\$0.037. The Injection, which involves the injection of the EOF Business and an immaterial amount of net assets (cash of S\$5 million) of CityAxis to be acquired, amounts to a "business combination" and it is this business combination that is then the subject of a dilution to the Company through the Placement. Therefore, it is appropriate to analyse the terms and effects of the Injection in conjunction with the Placement as discussed below.

#### **4. The Placement**

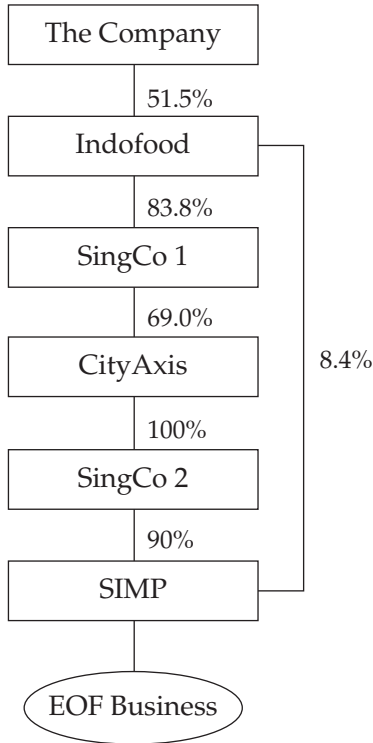
Immediately after completion of the Injection Agreement, SingCo 1 will be interested in approximately 98.7% of the then issued share capital of CityAxis as enlarged by the Injection. In order to meet the shareholding spread and distribution requirements set out in the SGX-ST Listing Manual and raise funds for the enlarged EOF Group, CityAxis will enter into a placement agreement with placement agent(s) to place such number of new CityAxis Consolidated Shares to investors to, inter alia, meet the shareholding spread and distribution requirements set out in the SGX-ST Listing Manual.

It is currently expected that the Placement will involve up to a maximum of 435 million CityAxis Consolidated Shares. Indofood has undertaken that in the event the Placement Price is less than S\$0.75 per Placement Share, it shall procure that SingCo 1 shall, subject to completion of the Injection and the Placement, pay to the Entitled CityAxis Shareholders a compensation amount in cash for each CityAxis Consolidated Share held by the Entitled CityAxis Shareholders as at the record date for this purpose equivalent to the difference between S\$0.75 and the Placement Price, subject always to a maximum compensation of S\$0.37 per CityAxis Consolidated Share held.

For the purpose of our advice in this letter, we have analysed the effects of the Listing Proposal assuming that the Placement comprises the issue of not more than 435 million new CityAxis Consolidated Shares (representing approximately 30% of the enlarged issued share capital of CityAxis after the Placement) at a Placement Price of not less than S\$0.75. Under these assumptions, the resultant shareholding of SingCo 1 in CityAxis would be approximately 69.0% and the gross proceeds to be raised from the Placement would be approximately S\$326.3 million (equivalent to approximately US\$209.1 million). Should Indofood's indirect interest in CityAxis (through SingCo 1) fall below 69.0% or the Placement Price fall below S\$0.75 per Placement Share or SingCo 1 place down the Injection Consideration Shares or the terms of the Distribution in Specie be varied materially, further Shareholders' approval for the Placement will be sought.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The simplified ownership structures of the relevant entities of the EOF Business immediately after completion of the Injection and the Placement will be as follows:



As shown in the chart above, Indofood’s attributable interest in CityAxis will drop from approximately 82.8% to 60.4% immediately following completion of the Placement and the Company’s attributable interest in the EOF Business will be diluted to approximately 31.1%. On the basis of the aforesaid gross proceeds to be raised from the Placement of new 435 million CityAxis Consolidated Shares (representing approximately 30% of the issued share capital as enlarged by the Placement), the Placement values the entire interest in CityAxis at approximately S\$1,087.5 million. This valuation represents historical price-earnings multiple of approximately 11.7 times based on the profit after tax and minority interests of approximately IDR542.6 billion (equivalent to approximately S\$92.6 million at the average exchange rate of IDR5,862/S\$ for the year of 2005) of the EOF Business attributable to CityAxis for the year ended 31st December 2005.

For the purpose of our assessment of the assumed Placement Price of S\$0.75, we have identified companies listed in Asian stock markets which are principally engaged in businesses similar to the EOF Business and with over 50% of revenue shown in the last set of audited accounts generated from processing edible oil and related products (the “Comparable Companies”). The table below illustrates the comparison of the historical price-earnings multiple represented by the Placement Price with the multiples at which

|                                                      |
|------------------------------------------------------|
| <b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> |
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all the Comparable Companies that we have identified based on the aforesaid criteria are currently trading:

| <b>Companies</b>                                               | <b>Country of listing</b> | <b>Historical price-earnings multiple<br/>(note 1)<br/>times</b> |
|----------------------------------------------------------------|---------------------------|------------------------------------------------------------------|
| Chumporn Palm Oil Industry Public Company Limited              | Thailand                  | Not applicable<br>(note 2)                                       |
| Golden Agri-Resources Limited                                  | Singapore                 | 23.1                                                             |
| Golden Hope Plantation Berhad                                  | Malaysia                  | 31.9                                                             |
| IOI Corporation Berhad                                         | Malaysia                  | 23.6                                                             |
| PPB Group Berhad                                               | Malaysia                  | 15.5                                                             |
| Premium Nutrients Berhad                                       | Malaysia                  | 10.4                                                             |
| PT Sinar Mas Agro Resources and Technology Tbk                 | Indonesia                 | 27.0                                                             |
| Yee Lee Corporation Bhd                                        | Malaysia                  | 14.1                                                             |
| <i>Average</i>                                                 |                           | 20.8                                                             |
| <i>Median</i>                                                  |                           | 23.1                                                             |
| <b>The EOF Business attributable to CityAxis</b>               |                           |                                                                  |
| <b>– at the Placement Price of S\$0.75 per Placement Share</b> |                           | <b>11.7</b>                                                      |

*Notes:*

- (1) The historical price-earnings multiples of the profitable Comparable Companies are calculated based on their basic earnings per share as disclosed in their latest annual reports and their closing share price as at the Latest Practicable Date as extracted from Bloomberg.
- (2) This company recorded a loss for the last financial year.

The profitable Comparable Companies are currently trading at historical price-earnings multiples ranging from approximately 10.4 times to 31.9 times, with a mean and median of approximately 20.8 times and 23.1 times respectively.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The historical price-earnings multiple of the EOF Business attributable to CityAxis represented by the assumed Placement Price falls within such range, but is lower than the mean and median of these Comparable Companies. We consider such discount to be reasonable and conventional in an initial public offering in order to enhance the attractiveness of the issue to public investors, bearing in mind the assumed Placement Price represents the minimum price for the Placement Shares.

During our search for Comparable Companies, we noted that Wilmar International Limited (“Wilmar”) (formerly known as “Ezyhealth Asia Pacific Limited”) has recently acquired a business principally engaged in palm oil and related activities, with integrated operations ranging from oil palm cultivation and milling, to the refining, processing, branding, merchandising and distribution of a wide range of palm oil and lauric and related products. Completion of such acquisition took place on 14th July 2006. As the results of the acquired palm oil business were not included in the annual report of Wilmar for the year ended 31st December 2005, Wilmar is not included as one of the Comparable Companies. We also note from the quarterly report of Wilmar for the nine months ended 30th September 2006 and relevant announcements of Wilmar that subsequent to completion of the aforesaid acquisition, Wilmar undertook a placement of shares at an issue price of S\$0.80 (equivalent to approximately US\$0.51) each in August 2006. Based on the unaudited proforma earnings per Wilmar share of US\$0.0267 as enlarged by the acquisition (as extracted from the unaudited proforma consolidated profit and loss accounts contained in the circular of Wilmar dated 10th June 2006) and the placing price of approximately US\$0.51 per share, the price-earnings multiple represented by the placing price is approximately 19.1 times which is higher than the historical price-earnings multiple of the EOF Business attributable to CityAxis of approximately 11.7 times represented by the assumed Placement Price. As explained above, we consider such discount to be reasonable in the initial public offering situation of the EOF Business.

### **5. Effects of the Injection and the Placement on the Group**

The expected financial effects of the Injection and the Placement on the Group are set out in the section headed “Financial effects of the Injection and the Placement” in the letter from the Board contained in the Circular, which are summarised below.

#### *(i) Effect on earnings of the Group*

The EOF Group will remain a subsidiary of the Group immediately following completion of the Injection and the Placement. Accordingly, its results will continue to be consolidated into the accounts of the Group. Nevertheless, the attributable interest of the Group in the EOF Business will be reduced from approximately 43.2% to 31.1% after the Injection and the Placement. On the basis of the net profit after tax and minority interests of the EOF Business for the year ended 31st December 2005 of approximately IDR602.9 billion (equivalent to approximately US\$61.8 million at the average exchange rate of IDR9,756/US\$ for the year of 2005), the profit contribution from the EOF Business to the Group will be reduced by approximately US\$7.5 million (equivalent to approximately US\$0.0023 per Share based on 3,204,793,003 Shares in issue as at the Latest Practicable Date).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the other hand, based on the financial position of SIMP as at 30th June 2006, the gross proceeds from the Placement of approximately US\$209.1 million pursuant to its assumed terms as described above and the net asset value of CityAxis of S\$5 million immediately prior to completion of the Injection Agreement, a gain (net of the estimated expenses for the Listing Proposal) of approximately US\$25.7 million is expected to be recognised by the Group (equivalent to approximately US\$0.008 per Share based on 3,204,793,003 Shares in issue as at the Latest Practicable Date) in relation to the deemed disposal of an approximately 12.1% interest in SIMP upon completion of the Injection and the Placement. Such gain is non-recurring in nature and will be reflected in the profit and loss accounts of the Group for the year ending 31st December 2007 assuming completion of the Injection and the Placement takes place in that year. The actual gain on deemed disposal to be recognised by the Group, which will be calculated by reference to the financial position of SIMP and CityAxis at the time of completion of the Injection and the Placement and the actual pricing and structure of the Placement, may be different (but is not expected to be materially different) from the above figure.

### *(ii) Effect on net asset value of the Group*

The EOF Group will remain as a subsidiary of the Group immediately following completion of the Injection and the Placement. Accordingly, its assets and liabilities will still be consolidated into the accounts of the Group.

Based on the financial position of SIMP as at 30th June 2006, the gross proceeds from the Placement of approximately US\$209.1 million pursuant to the assumed terms of the Placement as described above and the net assets value of CityAxis of S\$5 million immediately prior to completion of the Injection Agreement, the consolidated net asset value of the Group attributable to the Shareholders is expected to increase by approximately US\$25.7 million before the Distribution in Specie, which represents the gain on the deemed disposal of interest in SIMP (net of the estimated expenses for the Listing Proposal) as a result of the issue of new CityAxis Consolidated Shares under the Placement at an expected price above its underlying net asset value. Such increase in net assets would be reduced by approximately S\$4.9 million (equivalent to approximately US\$3.1 million) assuming that the Company subscribes for 6,525,000 Placing Shares at the Placement Price of S\$0.75 each to effect the Distribution in Specie. We consider the net increase in net assets of the Group of approximately US\$22.6 million (equivalent to approximately US\$0.0071 per Share based on 3,204,793,003 Shares in issue as at the Latest Practicable Date) as a result of the Listing Proposal is beneficial to the Company and the Shareholders as a whole.

### *(iii) Effect on working capital and gearing of the Group*

On the basis of the assumed terms and structure of the Placement described above, fresh capital in the amount of approximately US\$209.1 million will be raised from the Placement for the EOF Group. Approximately US\$3.1 million will be incurred by the Group in subscribing for 6,525,000 Placement Shares to facilitate the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Distribution in Specie or for payment of the cash alternative to the Qualifying Shareholders. Accordingly, we are of the view that the working capital position and gearing of the Group as a whole would be improved as a result of the Listing Proposal, which is in the interests of the Company and the Shareholders.

It should be noted that the above analysis has not taken into consideration any new opportunities and benefits which the Injection and the Placement may possibly bring to the Group and the EOF Group, in particular those that are consequential to the availability of the proceeds from the Placement and the separate listing status of the EOF Business through CityAxis. Taking into account the improvement in the net assets, working capital and gearing position of the Group after the Injection and the Placement as discussed in (ii) above and this paragraph, on balance, we consider the decrease in the profit of the EOF Business attributable to the Shareholders as illustrated in (i) above to be acceptable.

*(iv) Business of the Group*

After the Listing Proposal, in addition to its approximately 31.1% attributable interest in the EOF Group, the Non EOF Group will continue its businesses in telecommunications and online game businesses carried out by its associated companies, manufacturing and distributing consumer food products (other than the EOF Business) carried out by Indofood, and developing real estate and engaging in infrastructure sector carried out by MPIC. For the year ended 31st December 2005, the Group recorded audited turnover of approximately US\$2.0 billion. Had the turnover from the EOF Business been excluded, the Non EOF Group would have recorded turnover of approximately US\$1.6 billion. As at 31st December 2005, the Group had audited total assets of approximately US\$2.3 billion. Had the total assets of the EOF Business been excluded, the Non EOF Group would have recorded total assets of approximately US\$1.9 billion. In view of the level of turnover as well as assets attributable to the Non EOF Group, we consider that the Group will continue to have a substantial and viable business after implementation of the Listing Proposal.

In connection with the Injection, Indofood has undertaken not to carry on any business activities that directly compete with those of the EOF Group for so long as Indofood directly or indirectly holds not less than a 15% shareholding interest in CityAxis. Taking into account the fact that CityAxis will be an indirect subsidiary of the Group and its results and future growth will continue to be shared by the Group after the Listing Proposal, we are of the view that the non-competition undertaking given by Indofood would not adversely affect the business of the Non EOF Group and the Non EOF Group will have sufficient operations and assets as a separate listed entity.

As stated in the letter from the Board, no material back office functions or other administrative support functions are, as at the Latest Practicable Date, or are anticipated to be shared between the Company and the EOF Group upon completion of the Listing Proposal. It is currently anticipated that the chief executive officer and the two independent directors of CityAxis will resign and eight new directors will

|                                                      |
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| <b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> |
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be appointed to the board of CityAxis. Except for one who is currently a Non-executive Director of the Company, the remaining seven new directors to be appointed to CityAxis are either existing directors and/or executives of Indofood or independent professionals who do not have management role in the Company. Given that CityAxis will remain a subsidiary of the Company following completion of the Listing Proposal, we consider the board composition of CityAxis reflects the interests of the Company in CityAxis and yet enables CityAxis to maintain a management team sufficiently independent of the Company.

**6. Effect of the Listing Proposal on the Shareholders**

The table below sets out the dilutive effect of the Listing Proposal to the Shareholders' effective interest in SIMP based on the assumed terms and structure of the Placement and the Distribution in Specie described above and assuming that all Shareholders are Qualifying Shareholders.

|                                                                                                          | <b>Approximate<br/>effective interest<br/>of the Shareholders<br/>in SIMP<br/>(%)</b> |
|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Before the Listing Proposal                                                                              | 43.2                                                                                  |
| Immediately after the Listing Proposal<br>but before the Distribution in Specie                          | 31.1                                                                                  |
| After the Distribution in Specie                                                                         |                                                                                       |
| – assume the Qualifying Shareholders<br>elects to receive the Distribution Shares                        | 31.6                                                                                  |
| – assume the Qualifying Shareholders elect to receive<br>cash payment in lieu of the Distribution Shares | 31.1                                                                                  |

On the above basis, the effective interest of the Shareholders in SIMP would be diluted to approximately 31.6% if the Qualifying Shareholders elect for the Distribution Shares; or approximately 31.1% if the Qualifying Shareholders elect for cash alternative. In our opinion, such dilution, albeit not immaterial, is acceptable to the Shareholders taking into consideration the benefits to be derived from the Listing Proposal as discussed in the paragraphs headed "Benefits of the Listing Proposal" and "Effects of the Injection and the Placement on the Group" above.

The cash payment in lieu of the Distribution Shares provides Shareholders an alternative to share the benefits of the Placement without incurring administrative costs of holding and dealing in the Distribution Shares which may represent odd lots and are listed on an overseas exchange. We consider such cash alternative arrangement to be beneficial to Shareholders.

**7. Conditions of the Injection**

The Injection is conditional on the fulfilment or waiver of a number of conditions on or before 31st March 2007 (or such later date as Indofood and/or SingCo 1 and CityAxis may agree in writing) which include, among other things, (i) the approval by the Shareholders of the Injection and the Placement; (ii) the respective shareholders' approval of CityAxis and Indofood; (iii) the approval of the SGX-ST for the Injection; (iv) the approval in-principle of the SGX-ST for the transfer of CityAxis' listing from SGX-SESDAQ to the SGX-ST Mainboard on completion of the Injection and the Placement, and for the listing and quotation of the Injection Consideration Shares, the Placement Shares and the CityAxis Consolidated Shares on the SGX-ST Mainboard; and (v) completion of the disposal of all of the existing business of CityAxis and a cash distribution by CityAxis to its shareholders by way of a dividend and/or capital reduction such that CityAxis shall have net tangible assets comprising cash of not less than S\$5 million and net tangible asset value per CityAxis Share of not less than S\$0.037 prior to completion of the Injection. Details of the conditions are set out in the paragraph headed "Conditions precedent of the Injection" under the section headed "Proposed Injection and Placement" in the letter from the Board contained in the Circular.

**RECOMMENDATION**

Having taken into consideration the principal factors and reasons as set out above, we are of the view that the Listing Proposal (including the Injection, the Placement and the Distribution in Specie) is fair and reasonable so far as the Shareholders are concerned and that the Listing Proposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Listing Proposal.

Yours faithfully,  
for and on behalf of  
**SOMERLEY LIMITED**  
**M. N. Sabine**  
*Chairman*



## 1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Interests of Directors in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

#### (a) Long positions in shares in the Company

| Name                               | Ordinary shares                 | Approximate percentage of issued share capital (%) | Ordinary share options |
|------------------------------------|---------------------------------|----------------------------------------------------|------------------------|
| Anthoni Salim                      | 1,418,525,963 <sup>(c)(i)</sup> | 44.26                                              | –                      |
| Manuel V. Pangilinan               | 6,026,759 <sup>(p)</sup>        | 0.19                                               | 31,800,000             |
| Edward A. Tortorici                | 27,252,131 <sup>(p)</sup>       | 0.85                                               | 17,680,000             |
| Robert C. Nicholson                | –                               | –                                                  | 24,500,000             |
| Ambassador Albert F. del Rosario   | –                               | –                                                  | 2,840,000              |
| Benny S. Santoso                   | –                               | –                                                  | 2,840,000              |
| Graham L. Pickles                  | –                               | –                                                  | 1,000,000              |
| Edward K. Y. Chen,<br>GBS, CBE, JP | –                               | –                                                  | 2,840,000              |

- (i) Anthoni Salim owns 100 per cent of First Pacific Investments (BVI) Limited which, in turn, is interested in 628,296,599 ordinary shares in the Company. Of this 33.334 per cent is held by Anthoni Salim directly, and 66.666 per cent by Salerni International Limited (a company which Anthoni Salim directly holds 100 per cent of the issued share capital). Anthoni Salim also owns 56.8 per cent of First Pacific Investments Limited which, in turn, is interested in 790,229,364 ordinary shares in the Company. Of this 10 per cent is held by Anthoni Salim directly, and 46.8 per cent by Salerni International Limited.

The remaining 43.2 per cent interest in First Pacific Investments Limited is owned as to 30 per cent by Sutanto Djuhar, 10 per cent by Tedy Djuhar and 3.2 per cent by Ibrahim Risjad, all of whom are Non-executive Directors of the Company.

(b) *Long positions in shares in associated corporations*

- Manuel V. Pangilinan owned 188,101 common shares<sup>(p)</sup> and 564,303 warrants<sup>(p)</sup> in MPIC, 201,933 common shares<sup>(p)</sup> in PLDT and 360 preferred shares<sup>(p)</sup> in PLDT as beneficial owner and a further 15,417 common shares in PLDT as nominee for another person, as well as 3,500,000 common shares<sup>(p)</sup> in Pilipino Telephone Corporation.
- Edward A Tortorici owned 767,469 common shares<sup>(p)</sup> in MPC, 17,399 common shares<sup>(c)</sup> and 52,197 warrants<sup>(c)</sup> in MPIC and 104,874 common shares<sup>(p)</sup> in PLDT.
- Sutanto Djuhar owned 15,520,335 ordinary shares<sup>(c)</sup> in Indofood.
- Tedy Djuhar owned 15,520,335 ordinary shares<sup>(c)</sup> in Indofood.
- Ibrahim Risjad owned 6,406,180 ordinary shares<sup>(c)</sup> in Indofood.
- Anthoni Salim owned 632,370 ordinary shares<sup>(c)</sup> in Indofood.
- Albert F. del Rosario owned 100,025 common shares<sup>(p)</sup> in PLDT, 1,560 preferred shares<sup>(p)</sup> in PLDT, 32,231,970 preferred shares<sup>(p)</sup> in Prime Media Holdings, Inc. (PMH) as nominee for another person, 4 common shares<sup>(p)</sup> in PMH as beneficial owner, 100 common shares<sup>(p)</sup> in Negros Navigation Co., Inc., 4,922 common shares<sup>(p)</sup> in Costa de Madera Corporation, 19,999 common shares<sup>(p)</sup> in FPD Savills Consultancy Philippines, Inc. as beneficial owner and one common share<sup>(p)</sup> in FPD Savills Consultancy Philippines, Inc. as beneficiary of certain trusts, 15,000 common shares<sup>(p)</sup> in Metro Pacific Land Holdings Inc. and 80,000 common shares<sup>(p)</sup> in Metro Strategic Infrastructure Holdings, Inc.

<sup>(p)</sup> = Personal interest, <sup>(c)</sup> = Corporate interest

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and Stock Exchange.

**(ii) Interests of Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following parties, other than a Director or chief executive of the Company, have an interest or short position in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

- (a) Salerni International Limited (Salerni), which was incorporated in the British Virgin Islands, is interested in 1,418,525,963 ordinary shares of the Company (long position) at the Latest Practicable Date, representing approximately 44.26 per cent of the Company's issued share capital, by way of its 46.8 per cent interest in First Pacific Investments Limited (FPIL-Liberia) and its 66.666 per cent interest in First Pacific Investments (BVI) Limited (FPIL-BVI).
- (b) FPIL-Liberia, which was incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at the Latest Practicable Date, representing approximately 24.66 per cent of the Company's issued share capital. FPIL-Liberia is owned by the Chairman (Anthoni Salim) and three Non-executive Directors (Sutanto Djuhar, Tedy Djuhar and Ibrahim Risjad), in the proportion specified in footnote (i) of the table on page 56. Anthoni Salim is taken to be interested in the shares owned by FPIL-Liberia.
- (c) FPIL-BVI, which was incorporated in the British Virgin Islands, beneficially owned 628,296,599 ordinary shares at the Latest Practicable Date, representing approximately 19.60 per cent of the Company's issued share capital. Anthoni Salim, the Chairman of the Company, beneficially owns the entire issued share capital of FPIL-BVI and, accordingly, is taken to be interested in the shares owned by FPIL-BVI.

- (d) Brandes Investment Partners, L.P. (Brandes), a U.S. company, notified the Company that it held 348,724,702 ordinary shares of the Company in December 2006, representing approximately 10.88 per cent of the Company's current issued share capital. At the Latest Practicable Date, the Company has not received any other notification from Brandes of any change to such holding.
- (e) Marathon Asset Management Limited (Marathon), a U.K. incorporated company, notified the Company that it held 204,709,173 ordinary shares of the Company in November 2005, representing approximately 6.39 per cent of the Company's current issued share capital. At the Latest Practicable Date, the Company has not received any other notification from Marathon of any change to such holding.

### 3. SERVICE CONTRACT

Mr. Tortorici has a service contract with the Company expiring on 31st December 2007.

Other than as described above, no Director has an unexpired contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation

### 4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

### 5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates have a controlling interest in a business which competes or may compete either directly or indirectly with the businesses of the Group or have or may have any other conflicts of interests with the Group pursuant to the Listing Rules.

## 6. QUALIFICATION AND CONSENT OF EXPERT

- (a) The following are the qualifications of the expert who has given its report, opinion or advice which are contained in this Circular:

| <b>Name</b>       | <b>Qualifications</b>                                                                                                                                                                                      |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sommerley Limited | A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |

- (b) As at the Latest Practicable Date, the Independent Financial Adviser has no shareholding interest in any member of the Group or the right to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- (c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its statement, letter and/or report and references to its name included herein in the form and context in which it appears.

## 7. MISCELLANEOUS

- (i) The company secretary of the Company is Nancy L.M. Li, MSc (Corporate Governance and Directorship), BA, FCS, FCIS.
- (ii) The qualified accountant of the Company is Richard L. Beacher, BA(Hon) in Economics and Accounting, FCCA, CPA.
- (iii) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business of the Company is at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (iv) The principal share registrar and transfer office is Butterfield Fund Services (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke, HM08, Bermuda.
- (v) The Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (vi) The English text of this Circular shall prevail over the Chinese text in case of any inconsistency.

**8. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS**

Bye-law 79 of the bye-laws of the Company provides that at any general meeting a resolution put to the vote of the meeting shall be decided by a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded and not withdrawn, a declaration by the chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal office of the Company at 24th Floor, Two Exchange Square, 8 Connaught Place Central, Hong Kong during normal business hours on any weekday, except Saturday, Sunday and public holidays, from the date hereof up to and including 8th January 2007:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the service contracts referred to in the section named "Service Contract" in this Appendix;
- (iii) the annual reports of the Company for the three financial years ended 31st December 2005;
- (iv) the written consent referred to under the section headed "Qualification and Consent of Expert" in this Appendix;
- (v) the letter from the Independent Board Committee; and
- (vi) the letter from the Independent Financial Adviser.

# NOTICE OF SPECIAL GENERAL MEETING



## FIRST PACIFIC COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

*Website: <http://www.firstpacco.com>*

**(Stock Code: 00142)**

**NOTICE IS HEREBY GIVEN** (the "Notice") that a special general meeting (the "Meeting") of First Pacific Company Limited (the "Company") will be held on Monday, 8th January 2007 at 10:30 a.m. at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments) the following as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

**"THAT:**

- (a) the Injection and the Placement be and is hereby approved; and
- (b) the board of directors of the Company be and is hereby authorised on behalf of the Company to approve and implement the Injection and the Placement and all incidental matters and to take all actions in connection therewith or arising therefrom relating to the Injection and the Placement as they shall think fit.

For this purpose:

- (i) "Injection" means the separate listing of the shares in CityAxis Holdings Limited (formerly known as ISG Asia Limited) ("CityAxis"), on the Mainboard of the Singapore Exchange Securities Trading Limited by means of a reverse takeover of CityAxis through the transfer to CityAxis or its subsidiaries of a 90% indirect shareholding interest in PT Salim Ivomas Pratama held by PT Indofood Sukses Makmur Tbk and its subsidiaries in consideration of the issue of new shares by CityAxis; and
- (ii) "Placement" means the proposed issue of new shares in CityAxis upon completion of the Injection for the purposes of meeting the shareholding spread and distribution requirements of the Singapore Exchange Securities Trading Limited and to raise funds for the enlarged CityAxis group;

## NOTICE OF SPECIAL GENERAL MEETING

in each case, as more particularly described in the Company's shareholders' circular dated 22nd December 2006, subject to any variations or changes which are considered by the Company's directors to be necessary or desirable and in the best interests of the Company and its shareholders as a whole."

By order of the Board of  
**First Pacific Company Limited**  
**Nancy L.M. Li**  
*Company Secretary*

Hong Kong, 22nd December 2006

*Principal Office:*

24th Floor  
Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the Meeting may appoint one or more than one proxies to attend and to vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share of the Company as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the principal office of the Company (Attention: Corporate Secretarial Department) at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. Whether or not you propose to attend the Meeting in person, you are strongly urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the form of proxy, it will be deemed to have been revoked.