

16th December 1998

Highlights

- **First Pacific, Nissin Food to jointly acquire 60 per cent of Indofood from the Salim family and several associated investors for US\$570 million.**
- **Price paid per Indofood share equivalent to yesterday's close of IDR3,950.**
- **First Pacific to meet its portion of the consideration by issuing US\$135 million of new shares to the Salim family and its associated investors at a price of HK\$4.00 each, and by paying US\$150 million cash.**
- **First Pacific minority shareholders to vote on transaction by 31st January.**

FIRST PACIFIC, JAPAN'S NISSIN FOOD AGREE TO ACQUIRE 60% OF INDOFOOD FOR US\$570 MILLION

First Pacific and Nissin Food Products Co. of Japan today agreed to enter into a 50-50 joint venture that will pay US\$570 million (HK\$4.4 billion) for the 60 per cent of the shares of PT Indofood Sukses Makmur Tbk - Indonesia's premier food company and the world's largest producer of instant noodles - owned by the Salim family and several associated Indonesian investors.

The agreement, which follows First Pacific's investment last month of US\$749 million (HK\$5.8 billion) in a significant stake in Philippine Long Distance Telephone Company, represents a further major step in the Group's strategy of focusing its investments on a select number of Asian blue-chips which offer substantial long-term potential.

The Indofood partnership unites First Pacific's extensive international marketing experience and financial skills, with Nissin Food which invented the instant-noodle product and currently sells four billion servings annually in more than 80 countries under such brands as Top Ramen, Cup Noodle and Demae Itcho. Through the acquisition, each partner will own an indirect 30 per cent interest in Indofood.

First Pacific will fund its US\$285 million (HK\$2.2 billion) consideration through the issue of new shares and cash, while Nissin Food will fund its US\$285 million (HK\$2.2 billion) consideration in cash. The transaction is expected to close on 1st February 1999.

First Pacific's Managing Director Manuel V. Pangilinan, said: "Indofood is, by any assessment, one of Southeast Asia's pre-eminent corporations. It is well managed, it is a leader in every facet of the market it competes in, and it has performed profitably on an operating basis since

its founding, despite Indonesia's acute economic difficulties over the last year and a half. Moreover, our acquisition of the company will immediately be earnings enhancing.

"As conditions stabilize in Indonesia, we believe that this transaction will come to be seen as one of the most farsighted investments of the region's economic crisis. We are especially pleased to be entering into partnership with Nissin Food who are synonymous worldwide with instant noodles and bring enormous strength to our partnership through their extensive experience in the food industry," he said.

Terms of the acquisition

Under the terms of an agreement signed today in Tokyo, the Salim family and its associates are to transfer their 60 per cent interest in Indofood to a newly formed company, and to sell half the venture's shares to First Pacific and the other half to Nissin Food for an aggregate of US\$570 million (HK\$4.4 billion). This is equivalent on a per-share basis to Indofood's closing price yesterday of IDR3,950 on the Jakarta Stock Exchange. The transaction values the company at US\$950 million (HK\$7.4 billion).

First Pacific will fund its share of the investment through the issue of US\$135 million (HK\$1.0 billion) of new shares - equivalent to approximately 261 million shares, representing a 10 per cent increase in its enlarged issued share capital - at HK\$4.00 each; the price represents a 7.2 per cent premium to the shares' average closing price over the previous 10 trading days. It will also pay US\$150 million (HK\$1.2 billion) by 30th June 1999, although this may be extended to 30th September 1999.

As First Pacific is 53.5 per cent held by the Salim family and its associated investors - who comprise the Sukwikatmonos, the Risjads and the Djuhars - its purchase of Indofood shares is deemed a connected-party transaction. Therefore, in accordance with the rules of the Stock Exchange of Hong Kong, the transaction must receive formal approval from a majority of the Group's minority shareholders voting at a special shareholders' meeting called to consider the proposal. A committee comprising First Pacific's independent non-executive directors - Mr. Edward Chen and Mr. David Tang - has been formed to consider the transaction and to make an appropriate recommendation to the minority shareholders, assisted by a merchant bank acting as its independent financial adviser.

Neither the Salim family nor its associates will be entitled to vote at the shareholders meeting, which is to take place by 31st January 1999 in Hong Kong.

Following the new share issue, the Salim family's and its associated investors' holding in First Pacific would increase to 58.1 per cent. However, they have appointed ING Barings to facilitate the placement of the new shares they are to receive from First Pacific. First Pacific is fully supportive of this sales process and intends to participate actively to ensure that the shares are widely distributed in an orderly manner.

Rationale

Indofood, established in 1994, has dominant market shares and strong brands across its wide range of consumer products. In addition to noodles, the company produces and distributes edible oils, margarine and shortening, seasonings, snack foods and baby foods. It also controls more than 63,000 hectares of oil-palm plantations, the largest distribution network in Indonesia and the world's largest flour-milling operation in a single location.

At the peak of the Indonesian stock market in June 1997, Indofood's market capitalization stood at approximately US\$4.4 billion (HK\$34.1 billion). While the company's financial position has clearly been adversely affected by Indonesia's economic crisis, its underlying

operations remain strong, its strong cash flows enable it to service its debt as scheduled, and it offers excellent long-term potential given its unmatched market positions in its core businesses.

First Pacific considers the following to be the principal attractions of Indofood:

- **Indofood's defensive, low-risk businesses.** Indofood manufactures and supplies staple foods, demand for which is relatively insulated against economic slowdowns due to their low price and central role in the Indonesian diet. Accordingly, sales have been little affected by the country's economic crisis. In 1997, sales amounted to 8.2 billion packets, equivalent to a weekly average of 157 million. Sales in 1998's first nine months totaled 6.2 billion packets, equivalent to a weekly average of 159 million, notwithstanding a more than doubling in the average price per pack. Weekly sales have slowed moderately in the fourth quarter but are still expected to total around 7.5 billion for the full year.
- **Indofood's established brand names and commanding market shares.** Indofood's product range includes some of the best-known household brands in Indonesia. Its instant-noodle products, which are marketed under such names as Indomie, Supermi, Sarimi and Sakura, collectively have more than 90 per cent of the domestic market. Its edible oils, margarine and shortening products, which include such brands as Bimoli, Sunrise, Palmia, Simas and Amanda have nearly 60 per cent of the market. Its snack-foods business, which is a joint venture with Pepsico Foods International, include the Chiki, Cheetos, Chitato and Jetz brands, and have 70 per cent market share. Its various brands of baby foods have approximately 60 per cent of the market.
- **Indofood's strong cash flows.** Since its inception, Indofood has delivered strong cash flows at the operating level, and has continued to do so over the course of the economic crisis. Operating profit is approximately three times that required to cover interest payments on debt, and approximately 30-40 per cent of net earnings is normally paid out as dividend. Moreover, the company's heavy investment in recent years in enhancing production capacity and efficiency means that capital expenditure is likely to be modest over the years ahead.
- **Indofood's natural economic and financial hedging.** The integration of Indofood's businesses provides strong protection against price increases in any one element of the production process. For example, within the noodles business, Indofood's activities include milling flour, growing the trees from which palm oil is produced to process the noodles, producing the seasoning that accompanies the noodles, producing packaging for the seasoning and noodles, and operating a distribution network through which the product is delivered nationwide. Additionally, the company's revenue from exporting edible oils and margarine, related by-products and other commodities, which are priced in U.S. dollars, creates a natural hedge against the possible further depreciation of the rupiah.
- **Indofood's ability to expand regionally.** Drawing on First Pacific's experience in marketing goods across Asia and Nissin Food's worldwide expertise in the food business, Indofood will be well placed to accelerate its expansion into regional markets. Last year, the company exported products to more than 35 countries, which accounted for approximately 15 per cent of revenues and it is expected that there is room to

significantly increase this proportion. The region's economic crisis has created additional opportunity for strong, highly professional companies to enter markets dominated by less adept players.

- **Indonesia's favorable demographics.** Indonesia is the world's fourth most populous nation with 204 million inhabitants and a population growth rate of 1.6 per cent a year, placing it among the highest in Asia. Furthermore, its population is exceptionally young, with an estimated 22 per cent under the age of 10 years. While the country is clearly proceeding through a difficult period of transition, there is every reason to believe that stability and economic progress will ultimately be restored.

Rationale for First Pacific-Nissin Food partnership

The partnership between First Pacific and Nissin Food brings together complementary organizations which will significantly strengthen Indofood and enable it to expand regionally.

First Pacific has acquired an international reputation for rigorous financial controls, transparency and respect for minority shareholders. In addition, it has owned and managed highly successful marketing and distribution activities around the world.

These businesses have included: Hagemeyer - a Dutch-based international marketer of consumer durables and non-durables, specialty foods and consumer services - and Australia-based Tech Pacific - which is Asia's largest distributor of computer hardware and software, both of which were recently divested; Berli Jucker of Thailand and Metro Pacific of the Philippines, which have extensive packaging and consumer-product businesses; and Darya-Varia, an Indonesian integrated pharmaceuticals company.

Nissin Food, which is listed on the Tokyo Stock Exchange and three other exchanges in Japan and abroad, is among Japan's leading food groups. It operates 43 factories in Japan, and 23 factories in 10 other countries. Among its overseas operations is a two-year-old joint venture in Indonesia with Indofood which manufactures noodles under Nissin's own brand names for sale into the domestic market.

Nissin Food is an acknowledged leader in marketing instant-noodles, introducing the product to the U.S. market in 1972. Its proprietary production technology is considered the most efficient in the world and will be shared with Indofood through a technical assistance agreement. The company also has dedicated food-related research and development institutions in the U.S., the Netherlands, Hong Kong and elsewhere.

Management control

First Pacific and Nissin will each have the right to appoint five members to Indofood's 10-member Board of Directors. Initially, each will name one new director and four existing Indofood directors as their appointees. Mr. Anthoni Salim and Mr. Sudwikatmono will step down as Indofood Directors to make room for the new members. First Pacific will name Mr. Darryl Kinneally, who serves as Executive Vice President, as one of its Directors. Nissin Food will name their appointment in due course.

The two companies will also each have the right to appoint three of the six members on Indofood's Board of Commissioners. First Pacific will name Mr. Pangilinan, Mr. Thomas Yasuda, who serves as an Executive Director, and Mr. Ronald Brown, who serves as an Executive Vice President. Nissin Food will name their appointments in due course.

In addition, they will together have the right to appoint Indofood's Chief Executive Officer, Chief Financial Officer and Deputy Financial Officer.

Other Indofood matters

Indofood has dollar debt of approximately US\$1 billion, more than 80 per cent of which is hedged through U.S. dollar deposits and swap or forward contracts at exchange rates of 2,330 to 7,380 to the dollar, with an average rate of 5,600 to the dollar. Interest payments on the debt, which matures between year-end 1998 and 2002, are current and can continue to be comfortably met from the company's existing cash flows.

First Pacific is cognizant of reports that various parties have expressed interest in acquiring all or part of Bogasari, Indofood's flour-milling business. It has not yet taken a view on the advantages or disadvantages that such an arrangement might bring.

The New First Pacific

Following today's announcement, First Pacific will increasingly be focused on a select number of blue chips in the region which it will control and actively manage. These will initially include: in Indonesia, Indofood; in the Philippines, the Fort Bonifacio property development and PLDT/Smart within telecommunications; and in Thailand, Berli Jucker.

The Group's other assets will be actively managed, and grown so that, in time, they too become major players in their field, or are ultimately divested.

Mr. Pangilinan said: "As First Pacific continues to evolve, we will be focusing on fewer, larger businesses which are top performers in their sector and can be run more efficiently for our shareholders than a broad range of smaller businesses. I am fully confident that we are putting in place a structure that will come to serve as a model for other diversified business groups around the region."

NOTES:

Note I) Background on the global instant-noodle industry

Note II) Background on Indofood

Note III) Background on Nissin Food

ING Barings is acting as financial advisor to First Pacific in connection with this transaction and will not be responsible to anyone other than First Pacific for providing the protections afforded to customers of ING Barings or for giving advice in relation to the transaction.

NOTE I

Background on the global instant-noodle industry

The global instant-noodle industry has estimated annual revenue of over US\$3 billion, representing approximately 40 billion packets, across more than 100 countries. According to industry estimates, China accounts for approximately 37 per cent of the market, followed by Indonesia with 23 per cent, Japan with 13 per cent and Korea with 9 per cent. Hong Kong represents approximately 1 per cent of the market.

A high level of concentration of manufacturers characterizes the instant-noodle market, reflecting the product's inexpensive cost and small size which lend themselves to large-scale production, transportation and advertising. Indofood and Nissin are two of the world's largest players, with Indofood holding 20 per cent of the global market share and Nissin 10 per cent.

The total market for instant-noodles is estimated to be expanding strongly, driven largely by growth in Asia. The chief demographic factors behind this trend, particularly in China and Indonesia, are: large populations which are increasingly urbanizing; cultures that readily accept the taste of instant noodles as fresh noodles are already a part of the traditional diet; lifestyles that are rapidly becoming more oriented to convenience foods; and the affordability of instant noodles for a large proportion of the population.

In addition, the Asian downturn and resulting pressure on income have forced families to prune expenditures on even essential items as food, which has led to an increasing shift of consumption from rice to noodles. As a result, sales of instant noodles have increased significantly in a number of markets.

Expectations are that instant-noodle consumption has considerable room to expand. Per-capita consumption in Japan, is 42 packets a year. By comparison, consumption in Indonesia stands at 43 packets a year, and is forecast to grow 7 per cent annually.

The principal raw materials used in producing noodles are wheat flour, refined palm oil, starch, salt, sugar, monosodium glutamate, spices and other ingredients depending on flavor, such as dehydrated vegetables, beef, pork, sea food, chicken and broad-bean paste.

NOTE II

Background on Indofood

PT Indofood Sukses Makmur Tbk is Indonesia's largest food group and one of the largest in Asia. At its peak in June 1997 (when the rupiah was at 2,432 per U.S. dollar), the Company's market capitalization stood at approximately US\$4.4 billion. After declining to a low of US\$147 million in June 1998 (when the rupiah was at 15,280 per U.S. dollar), it currently stands at approximately US\$950 million.

In addition to being the world's largest noodle maker, with sales of 8.2 billion servings in 1997, the company is engaged in the production, distribution and sale of edible oils, shortenings and margarine, snack foods, baby foods and food seasonings. It operates 63,000 hectares of oil-palm plantations, has milling capacity of 3.6 million tonnes of flour annually, and is among the world's leading traders of coconut-oil and palm-oil based products. Additionally, it operates a broad distribution network for consumer products with more than 130 supply points and strong relationships with key agents across the Indonesian archipelago.

Indofood has its head office in Jakarta and operates 17 noodles factories with 121 production lines in Jakarta and other parts of Java, as well as on the islands of Sumatra, Kalimantan and Sulawesi.

While Indofood's origins date back to 1990, it was formed in 1994 when several different companies of the Salim Group engaged in manufacturing and sales of instant noodles were merged. In 1995, it further strengthened its integration program by acquiring Bogasari Flour Mills from Indocement. In 1997, it acquired the Salim Group's oil palm plantation, edible oils and fats and distribution operations.

5-year audited financial figures

Sales contribution

Earnings before interests and tax

NOTE III

Background on Nissin Food

Nissin Food Products Company Limited is one of Japan's leading food groups and the country's largest producer of noodles, with annual sales exceeding 4 billion servings in more than 80 countries worldwide. Among its top-selling international brands are Top Ramen, Cup Noodles and Demae Itcho.

The company, which is listed on the Tokyo, Osaka, Nagoya, and Luxembourg stock exchanges, operates 43 factories in Japan and 23 factories in 10 countries, including the U.S., the Netherlands, China, Hong Kong and Indonesia. It established in 1996 a 49-49 joint venture with Indofood in Indonesia, with Japan's Nissho Iwai holding the remaining 2 per cent. The joint venture manufactures approximately 20 million packets a year of Nissin's branded noodles.

In addition to its noodle activities, the company has operations in the areas of chilled and frozen foods, instant soups, confectionery and snack foods, yogurt products, and breakfast cereals.

Nissin's instant-noodle products have a share of approximately 40 per cent of the Japanese market. They are also leaders in Hong Kong, where they have 80 per cent market share; in Thailand, with 30 per cent; and Brazil, with 75 per cent share.

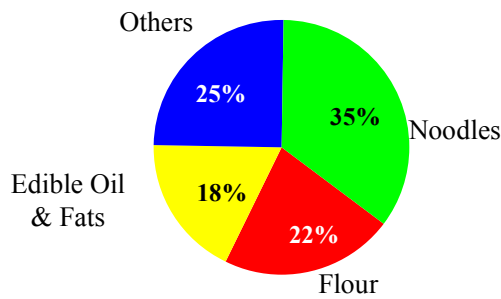
The company was founded in 1948 by its current Chairman, Momofuku Ando, age 88, who established the business to provide noodles in the period immediately following the Second World War. In 1958, Nissin invented the instant-noodle product, which became popular in rapidly modernizing Japan. It began producing instant noodles overseas in 1972 in the U.S., one year after inventing the cup-noodle concept.

5-year audited financial figures (IDR million)

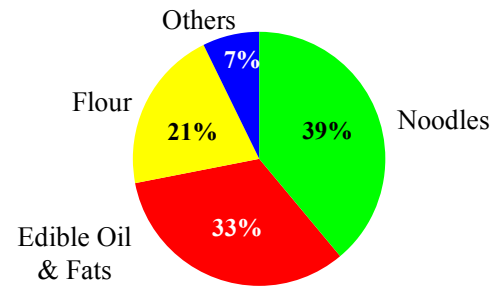
Year ended 31 st December	1993	1994	1995	1996	1997*
Sales	1,105,681	1,344,896	2,091,043	4,248,991	4,988,731
Operating profit	196,561	276,756	373,666	702,027	854,905
Net foreign exchange losses	-3,640	-4,540	-28,735	-82,358	-1,849,179
Net profit	138,093	220,491	305,368	351,310	-1,198,075
Total assets	1,026,341	1,437,729	3,702,707	5,573,895	7,889,168
Shareholders' equity	340,710	1,113,400	1,374,514	1,664,784	484,406
Exchange Rate (IDR : US\$)	2,110	2,200	2,308	2,383	5,300

*Restated to reflect acquisitions.

Sales contribution
1997: Total IDR4,988,731 million



Earnings before interests and tax
1997: Total IDR854,905 million



Consolidated 5-year summary (JPY million)

Year ended 31 st March	1994	1995	1996	1997	1998
Net sales	258,057	265,640	275,936	287,835	297,552
Operating income	18,212	19,767	20,881	22,851	23,850
Income before income taxes and other adjustments	18,634	17,875	19,532	19,584	16,388
Net income	8,227	6,917	7,616	8,440	9,684
Total assets	279,267	278,187	287,518	288,820	296,196
Shareholders' equity	183,034	186,436	189,744	193,389	194,271
Exchange Rate: (JPY : US\$)	102.8	88.4	106.5	124.0	133.4