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## **FIRST PACIFIC COMPANY LIMITED**

**第一太平有限公司**

*(Incorporated with limited liability under the laws of Bermuda)*

Website: [www.firstpacific.com](http://www.firstpacific.com)

(Stock Code: 00142)

### **CONTINUING CONNECTED TRANSACTIONS**

#### **REVISED ANNUAL CAPS FOR 2019 FOR CERTAIN OF THE INDOFOOD GROUP'S PREVIOUSLY ANNOUNCED FLOUR BUSINESS TRANSACTIONS**

**AND**

#### **NEW CONTINUING CONNECTED TRANSACTION AND ANNUAL CAP FOR 2019 RELATING TO THE INDOFOOD GROUP'S FLOUR BUSINESS**

Reference is made to the Company's announcements dated 19 October 2018, 6 June 2018, 6 September 2017 and 10 November 2016 and the Company's circular dated 30 December 2016, relating to continuing connected transactions of the Indofood Group.

This Announcement contains details of revised Annual Caps for 2019 in respect of certain of the Indofood Group's previously announced Flour Business Transactions.

This Announcement also contains details of a new continuing connected transaction (and the relevant agreement in relation to it) by a member of the Indofood Group in relation to the Indofood Group's Flour Business and its Annual Cap for 2019.

The Directors (including the independent non-executive Directors) are of the view that the terms of the continuing connected transactions referred to in this Announcement and their respective Annual Caps for 2019 are fair and reasonable, and those transactions are on normal commercial terms, in the ordinary and usual course of business of the Indofood Group and in the interests of the Company and its shareholders as a whole.

Reference is made to the Company's announcements dated 19 October 2018, 6 June 2018, 6 September 2017 and 10 November 2016 (the "**Previous Announcements**") and the Company's circular dated 30 December 2016 (the "**Circular**"). Unless otherwise defined herein, all capitalised terms used in this Announcement shall have the respective meanings given to them in the Previous Announcements.

### **Revised Annual Caps for 2019 in respect of certain Flour Business Transactions and New Continuing Connected Transaction Relating to the Indofood Group's Flour Business**

As stated in the Previous Announcements, the existing Annual Caps for 2019 in respect of the previously announced Flour Business Transactions were estimated transaction values based on projected activity levels between the relevant parties for the relevant periods, taking into account the historical values of the relevant transactions (if applicable) and the anticipated expansion of the flour market.

Based on levels of activity to date, the Annual Caps for 2019 in respect of the previously announced Flour Business Transactions shown in the table below as transactions (i) to (x) have been revised to more closely reflect current projections of the activity levels between the relevant parties to those transactions for 2019.

In addition, an agreement will be entered into in respect of the transaction shown in the table below as transaction (xi), which will constitute a new continuing connected transaction for the Company relating to the Indofood Group's Flour Business. The arrangements under that agreement are expected to commence on or around the date of this announcement and expire on 31 December 2019.

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Actual Transaction Amount for the period from 1 January 2019 to 31 July 2019 (US\$ millions)	Existing Annual Cap for the year ending 31 December 2019 (US\$ millions)	Revised/ New Annual Cap for the year ending 31 December 2019 (US\$ millions)
	Name of entity of the Indofood Group	Name of connected party				
(i)	Bogasari	PT Nippon Indosari Corpindo Tbk (“NIC”)	Bogasari sells flour to NIC	9.9	28.8	22.6
(ii)	Bogasari	PT Fast Food Indonesia Tbk (“FFI”)	Bogasari sells flour and spaghetti to FFI	0.6	2.6	2.4
(iii)	Indofood and its subsidiaries	PT Indotek Konsultan Utama (“IKU”)	IKU provides consulting services to Indofood and its subsidiaries	0.0	3.0	1.8
(iv)	Indofood and its subsidiaries	PT Sumberdaya Dian Mandiri (“SDM”)	Indofood and its subsidiaries use human resources outsourcing services from SDM	3.3	9.8	7.5
(v)	Indofood and its subsidiaries	PT Primajasa Tunas Mandiri (“PTM”)	Indofood and its subsidiaries use human resources outsourcing services from PTM	1.4	4.8	3.0
(vi)	Bogasari	PT Inti Cakrawala Citra (“Indogrosir”)	Bogasari sells finished goods to Indogrosir	4.2	13.5	11.0
(vii)	Bogasari	PT Indomarco Prismatama (“Indomaret”)	Bogasari sells finished goods to Indomaret	3.4	15.7	11.7
(viii)	Indofood and its subsidiaries	PT Indotirta Suaka (“PTIS”)	Indofood and its subsidiaries sell by-product to PTIS	2.1	11.4	10.6
(ix)	Indofood and its subsidiaries	Eastern Pearl Flour Mills (“EPFM”)	EPFM provides manufacturing services to Indofood and its subsidiaries	1.1	10.1	7.6
(x)	Indofood and its subsidiaries	PT IDmarco Perkasa Indonesia (“IDP”)	Indofood and its subsidiaries sell finished goods to IDP	0.2	0.2	0.5
(xi)	Indofood and its subsidiaries	Interflour Vietnam Ltd. (“IVL”)	Indofood and its subsidiaries sell finished goods to IVL	-	-	2.5

Each of the transactions referred to in the table above constitutes a continuing connected transaction for the Company under Rule 14A.31 of the Listing Rules because:

- (i) Mr. Salim is the Chairman and a substantial shareholder of the Company and President Director and CEO of Indofood; and
- (ii) each of the counterparties is an associate of Mr. Salim.

The transactions referred to in the table above are conducted in the ordinary and usual course of business of the Indofood Group and are entered into on an arm's length basis with terms fair and reasonable to the relevant parties. The framework agreements entered into in respect of transactions (i) to (x) and the agreement to be entered into in respect of transaction (xi) each provides that the pricing/fee chargeable in respect of each transaction will be determined from time to time based on the written mutual agreement between the parties, with due regard to the prevailing market conditions. The consideration under the transactions referred to in the table above is payable in accordance with credit terms to be agreed between the parties, in cash.

When the Annual Cap for 2019 in respect of the new transaction (xi) in the table above is aggregated with the revised Annual Caps for 2019 in respect of transactions (i) to (x) in the table above and the existing Annual Caps for 2019 in respect of the other Flour Business Transactions, the aggregated Annual Cap is US\$87.0 million (compared to the aggregated Annual Cap of US\$105.7 million previously announced in the Company's 19 October 2018 announcement). One or more of the applicable percentage ratios in respect of the revised aggregate Annual Cap for 2019 in respect of the Flour Business Transactions is 0.1% or more but none of the applicable percentage ratios is 5% or more.

Accordingly, transactions (i) to (xi) in the table above, when aggregated with the other continuing connected transactions relating to the Indofood Group's Flour Business, are subject to the reporting and announcement requirements, but not the Independent Shareholders' approval requirement, under Chapter 14A of the Listing Rules.

### **Pricing Policies and Reasons for and Benefits of Entering into the Transactions**

The pricing policies set out on pages 57 to 60 of the Circular, which are reproduced below, apply to the continuing connected transactions referred to in this Announcement.

The consideration under the continuing connected transactions referred to in the table above is payable in accordance with credit terms agreed between the parties in relation to each purchase order, in cash. Indofood Group takes into account the following procedures and/or policies in negotiating with the connected parties to agree and determine the prices of the transactions with reference to normal commercial terms and on an arm's length basis between Indofood Group and the connected parties and are in any event no less favourable (as far as the Indofood Group is concerned) than those prevailing in the market for the relevant goods and/or services of the same type and quality and those offered to or by independent third parties.

- (1) In relation to the transactions involving sales of goods or services by Indofood Group:
- (a) in relation to products or services where there are comparable products or services in the market:
- the Sales & Marketing Department of the Indofood Group maintains a database of the market price of the products the Indofood Group sells and the services the Indofood Group provides;
  - such database tracks the historical selling price and rates of the Indofood Group, as well as competitors, for such products and services (in each case covering a period of approximately one year);
  - the information in the database is obtained from the Indofood Group’s internal sources (including information in respect of transactions entered into by different divisions of the Indofood Group) and publicly available information;
  - to the extent possible the competitors’ prices being tracked are for the same products/services as those sold/provided by the Indofood Group; however, in some cases the products/services sold/provided by competitors would be of a slightly different specification, but in any event would be of the same type and sold/provided in the same market;
  - the proposed selling price to be quoted under a continuing connected transaction would be determined based on, among other things, production cost (raw material commodity price) and on a comparison with at least two comparable transactions (as per the market price database described above); the proposed selling price/service fee under a continuing connected transaction would be no less favourable (as far as the Indofood Group is concerned) than those in the transactions being compared; and
  - the Sales & Marketing Department of the Indofood Group reviews and updates such database on a monthly basis as required;
- (b) for products manufactured with specific specifications and operational services provided with specific scope in respect of which there are no comparable products or services in the market, the prices are determined by reference to estimates of Indofood Group’s costs of production plus a profit margin, which would be no lower than the profit margin which the Indofood party to the continuing connected transaction estimates to be enjoyed by other suppliers of similar products or services, such estimates being calculated by reference to the quoted selling price of such similar products or services of

the other suppliers and on the basis that the cost of production would not differ significantly between the Indofood party to the continuing connected transaction and such other suppliers. The Indofood Group's profit margins are subject to quarterly review and are consistent with the historical prices for such products or services offered to the connected parties; and

- (c) for license or services fees charged based on a certain percentage of the net sales of the connected parties, the percentage is compared to the percentage charged to independent third parties. The terms are subject to periodic review to ensure that they are no less favourable (as far as the Indofood Group is concerned) than those offered to independent third parties.
- (2) In relation to transactions involving purchases of goods or services by the Indofood Group, the Indofood Group conducts the following bidding process to ensure that the price and terms offered by a connected party are fair, reasonable and comparable to those offered by independent third parties:
- (a) request and compare at least two quotations for products or services of the same type and quality from qualified suppliers; a supplier is classified as a qualified supplier if it meets the criteria set by the Central Procurement & Engineering Division of the Indofood Group (relating to the supplier's size, reputation, quality of services, capabilities (delivery, safety etc.) and track records). The Central Procurement & Engineering Division (which has in excess of fifty persons) of the Indofood Group assesses suppliers against these criteria by engaging in dialogue, and meeting with, relevant suppliers. Reviews of qualified suppliers are carried out on a quarterly basis. Most qualified suppliers are independent;
  - (b) review and evaluate each quotation to check if it meets the respective specification and scope of products or services; and
  - (c) negotiate with the suppliers to get the best price and service.

For the products or services from the sole manufacturer or sole distributor or sole service provider in respect of which substitutes are not available and there are no comparable products or services in the market, the prices are determined by reference to the price and cost analysis conducted by the Indofood Group to estimate the suppliers' costs of production with a profit margin that conforms with the profit margins that are customary for the type of products or services. When conducting a price and cost analysis, the Indofood Group:

- (a) monitors the historical price trend in the market by gathering historical price data from the relevant market through distribution channels and publicly available information, the Indofood Group's historical purchase price to date, the budgeted price and the current market price and their causes of variances;

- (b) gathers detailed information on production cost components and the suppliers' value added chains, especially for major materials based on the information on Indofood's own production costs from Indofood's database and an estimate of the costs of materials;
  - (c) gathers information on the supply and demand conditions in the market; and
  - (d) compares the quotation from each sole manufacturer or sole distributor or sole service provider to its other customers and the Indofood Group's historical purchase price to date.
- (3) In relation to the transactions involving leasing of real properties, the rents and terms are determined with reference to independent quotations from third party real property agency firms and the market terms of similar real properties in the same region for the same period. Alternatively, the price should be based on valuation reports on the relevant properties provided by independent valuers.

For all continuing connected transactions, the Indofood Group considers, among other things, the following factors in determining whether to enter into a transaction with an independent third party or with a connected person: the price offered by the connected party vis-a-vis the independent third party, the quality of the products or services offered by the connected party vis-a-vis the independent third party, quality and availability of after-sales services. In order to ensure that the Group conforms with the above pricing policies from time to time and that the continuing connected transactions are conducted on terms no less favourable than terms available to independent parties, the Group supervises the continuing connected transactions in accordance with the Group's internal control procedures. The relevant business units to which each Indofood party to a continuing connected transaction belongs conducts quarterly checks to review and assess whether the continuing connected transactions are conducted in accordance with the terms of the respective agreements, while the Sales & Marketing Department of the Indofood Group on a monthly basis updates the market price database referred to above for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the above pricing policies. In addition, as described in the section headed "Internal Control Procedures" on pages 56 and 57 of the Circular, Indofood's continuing connected transactions team collates monthly reports from all business units and prepares a monthly certification report which is provided to and commented on by the Company. Further, the Company's external auditors and the Audit and Risk Management Committee conduct annual reviews on the pricing and the Annual Caps of the Group's continuing connected transactions pursuant to requirements under the Listing Rules.

The Indofood Group and the Company believe that the continuing connected transactions referred to in the table above, which are on normal commercial terms, are beneficial to the Indofood Group and the Company for the continuing expansion of the Indofood Group's business operations, revenue and operational profitability, the maximisation of the production capacities of the distribution network and the increase of worldwide brand awareness of the Indofood Group.

### **Directors' Views**

The Directors (including the independent non-executive Directors) are of the view that the terms of the continuing connected transactions referred to in the table above in this Announcement and their respective Annual Caps for 2019 are fair and reasonable, and those transactions are on normal commercial terms, in the ordinary and usual course of business of the Indofood Group and in the interests of the Company and its shareholders as a whole.

Mr. Salim, who has a material interest in all the continuing connected transactions referred to in this Announcement (as a result of the counterparty to each such continuing connected transaction being an associate of Mr. Salim), has abstained from voting on the resolutions of the Board approving the new continuing connected transaction referred to as transaction (xi) in the table above and in respect of the revision of the existing Annual Caps for 2019 for the other continuing connected transactions referred to as transactions (i) to (x) in the table above. In addition, Mr. Benny Santoso, a non-executive Director of the Company and the President Commissioner of NIC, is deemed to have a material interest in the continuing connected transaction with NIC (transaction (i) in the table above relating to the Indofood Group's Flour Business Transactions) and has abstained from voting on the resolution of the Board approving the revision of the Annual Caps for that continuing connected transaction. None of the other Directors has a material interest in the continuing connected transactions described above in this Announcement.

### **Information in respect of the Company, Indofood and the Counterparties to the Continuing Connected Transactions referred to in this Announcement**

The Company is a Hong Kong-based investment management and holding company with operations located in Asia-Pacific. Its principal business interests relate to telecommunications, consumer food products, infrastructure and natural resources.

Indofood is a leading Total Food Solutions company with operations in all stages of food manufacturing from the production of raw materials and their processing through to consumer products and distribution to the market. It is based and listed in Indonesia; its Consumer Branded Products subsidiary ICBP and agribusiness subsidiaries SIMP and PT PP London Sumatra Indonesia Tbk are also listed in Indonesia. A subsidiary, Indofood Agri Resources Ltd. is listed in Singapore, and an agribusiness associate Roxas Holdings, Inc. is listed in the Philippines. Through its four complementary Strategic Business groups, Indofood manufactures and distributes a wide range of food products: Consumer Branded Products (noodles, dairy, snack foods, food seasonings, nutrition and

special foods and beverages), Bogasari (wheat flour and pasta), Agribusinesses (oil palm, rubber, sugar cane, cocoa and tea plantations, cooking oils, margarine and shortenings) and Distribution. Indofood is one of the world's largest manufacturers by volume of wheat-based instant noodles, one of the largest plantation companies by area and the largest flour miller in Indonesia. Indofood also has an extensive distribution network across Indonesia.

Bogasari is a division of Indofood for the production of flour and pasta.

In respect of the counterparties to the continuing connected transactions relating to the Indofood Group's Flour Business referred to in this Announcement:

- (i) NIC is owned as to 40% by companies controlled by Mr. Salim. It is the biggest reputable modern bakery in Indonesia with ten factories throughout Indonesia;
- (ii) FFI is owned as to 36% by companies controlled by Mr. Salim and is engaged in food and restaurant operations. It is the master franchise holder of the Kentucky Fried Chicken (KFC) brand in Indonesia. FFI operates approximately 689 restaurant outlets;
- (iii) IKU is engaged in the business of consultancy and engineering in Indonesia. IKU is considered one of the most reputable consultant companies which provides services in relation to engineering and project management in Indonesia. IKU is owned as to 100% by companies controlled by Mr. Salim;
- (iv) SDM is a human resources management service company that has experience in handling industrial relation and manpower cases;
- (v) PTM is a human resources management service company that specializes in building maintenance system including hygiene care service, parks and general service;
- (vi) the principal business of Indogrosir is wholesaling of customer goods to modern and traditional retailers and end users. Indogrosir is owned as to 78.2% by companies controlled by Mr. Salim;
- (vii) the principal business of Indomaret is the operation of minimarkets in Indonesia. It is one of Indonesia's largest minimarket operators by number of stores and is owned as to 79.8% by companies controlled by Mr. Salim;
- (viii) PTIS is an export-oriented integrated livestock agribusiness company established since 1987 and located in Pulau Bulan – Batam;

- (ix) EPFM is owned as to 49% by companies controlled by Mr. Salim. It is engaged in milling wheat into flour;
- (x) IDP is engaged in e-commerce solutions for grocery shopping for stalls, shops and kiosks. IDP is 100% owned by companies controlled by Mr. Salim; and
- (xi) IVL is engaged in milling wheat into flour especially for Vietnamese taste such as the Vietnamese bread, baguettes and noodles. IVL is owned as to 49% by companies controlled by Mr. Salim.

*Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of US\$1.00 = Rupiah 14,240 = HK\$7.80. Percentages and figures expressed in millions have been rounded.*

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

Hong Kong, 27 August 2019

As at the date of this announcement, the Board of the Company comprises the following Directors:

***Executive Directors:***

Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*  
Christopher H. Young, *Chief Financial Officer*

***Non-executive Directors:***

Anthoni Salim, *Chairman*  
Benny S. Santoso  
Tedy Djuhar

***Independent Non-executive Directors:***

Prof. Edward K.Y. Chen, *GBS, CBE, JP*  
Margaret Leung Ko May Yee, *SBS, JP*  
Philip Fan Yan Hok  
Madeleine Lee Suh Shin