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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in First Pacific Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker 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

### 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

**(1) RENEWAL OF INDOFOOD GROUP'S NOODLES BUSINESS TRANSACTIONS  
AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022;  
NEW CONTINUING CONNECTED TRANSACTION  
AND ANNUAL CAPS FOR 2020, 2021 AND 2022 RELATING TO  
INDOFOOD GROUP'S NOODLES BUSINESS**

**(2) RENEWAL OF INDOFOOD GROUP'S PLANTATIONS BUSINESS TRANSACTIONS  
AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

**(3) RENEWAL OF INDOFOOD GROUP'S DISTRIBUTION BUSINESS  
TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

**(4) RENEWAL OF INDOFOOD GROUP'S FLOUR BUSINESS TRANSACTIONS  
AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

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



**SOMERLEY CAPITAL LIMITED**

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A letter from the Board is set out on pages 8 to 80 of this circular.

A letter from the Independent Board Committee is set out on pages 81 to 82 of this circular.

A letter from the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders, is set out on pages 83 to 177 of this circular.

A notice convening the SGM to be held at Pheasant-Stork Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Monday, 16 December 2019 at 3:00 p.m. is set out on pages 190 to 192 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the office of the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

Hong Kong, 29 November 2019

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## DEFINITIONS

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*In this circular and the appendix to it, the following expressions have the following meanings unless the context requires otherwise:*

“2017-2019 Distribution Business Transactions”	the existing continuing connected transactions relating to the Distribution Business transactions of the Indofood Group entered into by members of the Indofood Group and associates of Mr. Salim, as described in the Company’s announcements dated 10 November 2016, 6 September 2017 and 6 June 2018, and the Company’s circular dated 30 December 2016;
“2017-2019 Flour Business Transactions”	the existing continuing connected transactions relating to the Flour Business transactions of the Indofood Group entered into by members of the Indofood Group and associates of Mr. Salim, as described in the Company’s announcements dated 10 November 2016, 6 September 2017, 6 June 2018, 19 October 2018 and 27 August 2019;
“2017-2019 Noodles Business Transactions”	the existing continuing connected transactions relating to the Noodles Business transactions of the Indofood Group entered into by members of the Indofood Group and associates of Mr. Salim, as described in the Company’s announcements dated 10 November 2016, 6 June 2018 and 19 October 2018, and the Company’s circular dated 30 December 2016;
“2017-2019 Plantations Business Transactions”	the existing continuing connected transactions relating to the Plantations Business transactions of the Indofood Group entered into by members of the Indofood Group and associates of Mr. Salim, as described in the Company’s announcements dated 10 November 2016 and 6 September 2017, and the Company’s circular dated 30 December 2016;
“2020-2022 Distribution Business Transactions”	the continuing connected transactions relating to the Distribution Business transactions of the Indofood Group proposed to be renewed by members of the Indofood Group and associates of Mr. Salim, as referred to as transactions numbered (1) to (15) in Table C below in this circular;
“2020-2022 Flour Business Transactions”	the continuing connected transactions relating to the Flour Business transactions of the Indofood Group proposed to be renewed by members of the Indofood Group and associates of Mr. Salim, as referred to in Table D below in this circular;
“2020-2022 Noodles Business Transactions”	the continuing connected transactions relating to the Noodles Business transactions of the Indofood Group proposed to be renewed by members of the Indofood Group and associates of Mr. Salim, as referred to in Table A below in this circular;

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## DEFINITIONS

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“2020-2022 Plantations Business Transactions”	the continuing connected transactions relating to the Plantations Business transactions of the Indofood Group proposed to be renewed by members of the Indofood Group and associates of Mr. Salim, as referred to as transactions numbered (1) to (12) in Table B below in this circular;
“ADS”	PT Adithya Suramitra, a company in which Mr. Salim has an aggregate effective interest of 100.0% and an associate of Mr. Salim;
“AIBM”	PT Anugerah Indofood Barokah Makmur (formerly known as PT Asahi Indofood Beverage Makmur which merged among others with PT Indofood Anugerah Sukses Barokah (formerly known as PT Indofood Asahi Sukses Beverage)), a member of the Indofood Group;
“Annual Cap(s)”	the estimated maximum annual value in relation to a continuing connected transaction, as required by Rule 14A.53 of the Listing Rules;
“ASP”	PT Agro Subur Permai, a joint venture plantation company within the IGER Group between SIMP and the Salim Group;
“associate”	has the meaning ascribed thereto under the Listing Rules;
“Board”	board of Directors;
“Bogasari”	Bogasari, the flour mills division of Indofood;
“Bye-laws”	the Bye-laws of the Company, as amended from time to time;
“Company”	First Pacific Company Limited, an exempted company incorporated in Bermuda with limited liability, and having its shares listed on the Stock Exchange;
“CSNJ”	PT Cipta Subur Nusa Jaya, a company in which Mr. Salim has an aggregate effective interest of 100.0% and an associate of Mr. Salim;
“Director(s)”	the director(s) of the Company;
“Distribution Business”	the distribution business carried on by the Indofood Group;
“Dufil”	Dufil Prima Foods Plc, a company in which Mr. Salim has an aggregate economic interest of approximately 33.37% and an associate of Mr. Salim;

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## DEFINITIONS

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“FFI”	PT Fast Food Indonesia Tbk, a company in which Mr. Salim has an aggregate effective interest of approximately 36.0% and an associate of Mr. Salim;
“Flour Business”	the flour business carried on by the Indofood Group;
“Group”	the Company and its subsidiaries from time to time;
“GS”	PT Gunta Samba, a joint venture plantation company within the IGER Group between SIMP and the Salim Group;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IAK”	PT Inti Abadi Kemasindo, a member of the Indofood Group;
“IAP”	PT Indomarco Adi Prima, a member of the Indofood Group;
“ICBP”	PT Indofood CBP Sukses Makmur Tbk, a member of the Indofood Group;
“IDP”	PT IDmarco Perkasa Indonesia, a company in which Mr. Salim has an aggregate effective interest of 100.0% and an associate of Mr. Salim;
“IGER”	IndoInternational Green Energy Resources Pte. Ltd., an investment holding company and a joint venture plantation company between SIMP and the Salim Group;
“IGER Group”	IGER, LPI, MSA, MCP, SBN, GS, ASP and MPI;
“IKU”	PT Indotek Konsultan Utama, a company in which Mr. Salim has an aggregate effective interest of approximately 52.0% and an associate of Mr. Salim;
“Independent Board Committee”	an independent committee of the Board, comprising all the Independent Non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the terms of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps and making a recommendation to the Independent Shareholders as to how to vote at the SGM;

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“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps and as to how the Independent Shareholders should vote at the SGM;
“Independent Shareholders”	shareholders of the Company who do not have a material interest in the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and/or the 2020-2022 Flour Business Transactions (as applicable);
“Indofood”	PT Indofood Sukses Makmur Tbk, a company incorporated in Indonesia, which is a 50.1% owned subsidiary of the Group and which has its shares listed on the Indonesia Stock Exchange;
“Indofood Group”	Indofood and its subsidiaries from time to time;
“Indogrosir”	PT Inti Cakrawala Citra, a company in which Mr. Salim has an aggregate effective interest of approximately 78.2% and an associate of Mr. Salim;
“Indolife”	PT Indolife Pensiortama, a company in which Mr. Salim has an aggregate effective interest of approximately 100.0% and an associate of Mr. Salim;
“Indomaret”	PT Indomarco Prismatama, a company in which Mr. Salim has an aggregate effective interest of approximately 79.8% and an associate of Mr. Salim;
“Indomobil”	PT Indomobil Sukses Internasional Tbk, a company in which Mr. Salim has an aggregate effective interest of approximately 57.1% and an associate of Mr. Salim;
“ING”	PT Indo Natasha Gemilang, a company in which Mr. Salim has an aggregate effective interest of 60.0% and an associate of Mr. Salim;
“Interflour”	Interflour Group Pte Ltd, a company in which Mr. Salim has an aggregate effective interest of approximately 50.0% and an associate of Mr. Salim;

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## DEFINITIONS

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“Interflour Group”	Interflour and its subsidiaries (including Eastern Pearl Flour Mills and Interflour Vietnam Ltd.);
“Latest Practicable Date”	26 November 2019, being the latest practicable date for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LPI”	PT Lajuperdana Indah, a joint venture plantation company within the IGER Group between SIMP and the Salim Group;
“LS”	PT Lion Superindo, a company in which Mr. Salim has an aggregate effective interest of approximately 49.0% and an associate of Mr. Salim;
“MCP”	PT Mega Citra Perdana, a joint venture plantation company within the IGER Group between SIMP and the Salim Group;
“MPI”	PT Multi Pacific International, a joint venture plantation company within the IGER Group between SIMP and the Salim Group;
“Mr. Salim”	Mr. Anthoni Salim, the Chairman of the Board, a substantial shareholder of the Company and the President Director and CEO of Indofood;
“MSA”	PT Mentari Subur Abadi, a joint venture plantation company within the IGER Group between SIMP and the Salim Group;
“NIC”	PT Nippon Indosari Corpindo Tbk, a company in which Mr. Salim has an aggregate effective interest of approximately 40.0% and an associate of Mr. Salim;
“Noodles Business”	the consumer branded products businesses in respect of noodles business carried on by the Indofood Group;
“PDU”	PT Putri Daya Usahatama, a member of the Indofood Group;
“Pinehill”	Pinehill Arabian Food Ltd., a company in which Mr. Salim has an economic interest of approximately 33.8% and an associate of Mr. Salim;
“Plantations Business”	the plantations business carried on by the Indofood Group;
“PRC” or “China”	People’s Republic of China;

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## DEFINITIONS

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“PTIS”	PT Indotirta Suaka, a company in which Mr. Salim has an aggregate effective interest of approximately 100.0% and an associate of Mr. Salim;
“PTM”	PT Primajasa Tunas Mandiri, a company in which Mr. Salim has an aggregate effective interest of approximately 100.0% and an associate of Mr. Salim;
“RMK”	PT Rimba Mutiara Kusuma, a company in which Mr. Salim has an aggregate effective interest of 100.0% and an associate of Mr. Salim;
“Rupiah”	Rupiah, the lawful currency of Indonesia;
“Salim Group”	Mr. Salim, and companies controlled by him;
“SAWAB”	Salim Wazaran Brinjikji Co., a company in which Mr. Salim has an aggregate effective interest of approximately 47.2% and an associate of Mr. Salim;
“SAWABAS”	Salim Wazaran Bashary Food Co. Ltd., a company in which Mr. Salim has an aggregate effective interest of approximately 41.9% and an associate of Mr. Salim;
“SAWATA”	Salim Wazaran Abu Elata Co., a company in which Mr. Salim has an indirect interest of approximately 30.02% and an associate of Mr. Salim;
“SAWAZ Group”	those counterparties to the 2020-2022 Noodles Business Transactions which operate in the Middle East and Africa, and which comprise SAWAB, SAWABAS, SAWATA and the joint venture entities relating to Serbia, Morocco, Turkey, Ethiopia, Kenya, Iraq, Algeria and Yemen;
“SBN”	PT Swadaya Bhakti Negaramas, a joint venture plantation company within the IGER Group between SIMP and the Salim Group;
“SDM”	PT Sumberdaya Dian Mandiri, a company in which Mr. Salim has an aggregate effective interest of 100.0% and an associate of Mr. Salim;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened by the SGM Notice and to be held at Pheasant-Stork Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Monday, 16 December 2019 at 3:00 p.m. for the purpose of considering and, if thought fit, approving, among other things, the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps;
“SGM Notice”	notice of the SGM as set out on pages 190 to 192 of this circular;
“Shanghai Resources”	Shanghai Resources International Trading Co. Ltd., a company in which Mr. Salim has an aggregate effective interest of 100.0% and an associate of Mr. Salim;
“SIMP”	PT Salim Ivomas Pratama Tbk, a member of the Indofood Group;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“STP”	PT Sarana Tempa Perkasa, a company in which Mr. Salim has an aggregate effective interest of 100.0% and an associate of Mr. Salim;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

*In this circular, translations of quoted currency values are made on an approximate basis and at the rate of US\$1.00 = Rupiah 14,500. Percentages and figures expressed in millions have been rounded.*

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## LETTER FROM THE BOARD

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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)

*Non-executive Chairman:*

Anthoni Salim

*Executive Directors:*

Manuel V. Pangilinan, *Managing Director and  
Chief Executive Officer*

Christopher H. Young, *Chief Financial Officer*

*Non-executive Directors:*

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

*Principal Office:*

24th Floor, Two Exchange Square  
8 Connaught Place

Central

Hong Kong

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

29 November 2019

*To the Shareholders of First Pacific Company Limited*

Dear Sir or Madam,

#### **CONTINUING CONNECTED TRANSACTIONS**

**(1) RENEWAL OF INDOFOOD GROUP'S NOODLES BUSINESS TRANSACTIONS  
AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022;  
NEW CONTINUING CONNECTED TRANSACTION  
AND ANNUAL CAPS FOR 2020, 2021 AND 2022 RELATING TO  
INDOFOOD GROUP'S NOODLES BUSINESS**

**(2) RENEWAL OF INDOFOOD GROUP'S PLANTATIONS BUSINESS TRANSACTIONS  
AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

**(3) RENEWAL OF INDOFOOD GROUP'S DISTRIBUTION BUSINESS  
TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

**(4) RENEWAL OF INDOFOOD GROUP'S FLOUR BUSINESS TRANSACTIONS  
AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

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## LETTER FROM THE BOARD

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### INTRODUCTION

Reference is made to the Company's announcement dated 5 November 2019 in relation to certain continuing connected transactions of the Indofood Group.

The purpose of this circular is to provide you with (i) further information on the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps (as applicable); (ii) the recommendation of the Independent Board Committee in respect of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps and as to how the Independent Shareholders should vote at the SGM; (iii) the advice of the Independent Financial Adviser in respect of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps and as to how the Independent Shareholders should vote at the SGM; (iv) the SGM Notice; and (v) other information as required to be disclosed under the Listing Rules.

### **RENEWAL OF INDOFOOD GROUP'S NOODLES BUSINESS TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022; NEW CONTINUING CONNECTED TRANSACTION AND ANNUAL CAPS FOR 2020, 2021 AND 2022 RELATING TO INDOFOOD GROUP'S NOODLES BUSINESS**

The framework agreements in respect of the existing 2017-2019 Noodles Business Transactions numbered (1) to (5) in Table A below will expire on 31 December 2019. As disclosed in the Company's circular dated 30 December 2016, subject to compliance with the relevant requirements of the rules of any stock exchange to which any of the parties to the relevant framework agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, each of the framework agreements will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier by any party to the relevant framework agreement by giving not less than one month's notice to the other party(ies) in accordance with the terms of the relevant framework agreement.

Subject to Independent Shareholders' approval having been obtained in respect of the 2020-2022 Noodles Business Transactions, the framework agreements in respect of the existing 2017-2019 Noodles Business Transactions numbered (1) to (5) in Table A below will be automatically renewed from 1 January 2020 for a term of three years, expiring on 31 December 2022, on the same terms as those of the existing agreements.

In addition, a framework agreement will be entered into in respect of the transaction numbered (6) in Table A below, which will constitute a new continuing connected transaction for the Company relating to the Indofood Group's noodles business transactions. The arrangements under that agreement will commence from 1 January 2020 for a term of three years, expiring on 31 December 2022.

## LETTER FROM THE BOARD

The arrangements under the renewed framework agreements or the new framework agreement (as applicable) relating to the 2020-2022 Noodles Business Transactions, their respective historical transaction amounts for the years ended 31 December 2017 and 31 December 2018 and for the period from 1 January 2019 to 30 September 2019 (where applicable), their respective Annual Caps for the year ending 31 December 2019 (where applicable), their respective remaining Annual Cap for the year ending 31 December 2019 (where applicable) and the proposed Annual Caps for 2020, 2021 and 2022 in respect of such framework agreements are set out in Table A below.

**Table A – 2020-2022 Noodles Business Transactions, historical transaction amounts for the years ended 31 December 2017 and 31 December 2018 and for the period from 1 January 2019 to 30 September 2019, Annual Caps for the year ending 31 December 2019, remaining Annual Caps for the year ending 31 December 2019 and proposed Annual Caps, as applicable**

Transaction No.	Parties to the agreement/arrangement		Nature of agreement/arrangement	Actual Transaction Amount (US\$ millions)			Annual Cap for the year ending 31 December 2019 (where applicable) (US\$ millions)	Remaining Annual Cap for the year ending 31 December 2019, as at 30 September 2019 (where applicable) (US\$ millions)	Proposed Annual Cap (US\$ millions)		
	Name of entity of the Indofood Group	Name of connected party		For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 30 September 2019			For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
(1)	Indofood/ICBP	Dufil	Indofood/ICBP:  (1) grants an exclusive licence in respect of the "Indomie" trademark in Nigeria and provides technical services in connection with instant noodle manufacturing operations in Nigeria; and  (2) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products  to Dufil.	34.0	44.7	26.5	64.2	37.7	70.2	77.2	82.5

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/arrangement		Nature of agreement/arrangement	Actual Transaction Amount (US\$ millions)			Annual Cap for the year ending 31 December 2019 (where applicable) (US\$ millions)	Remaining Annual Cap for the year ending 31 December 2019, as at 30 September 2019 (where applicable) (US\$ millions)	Proposed Annual Cap (US\$ millions)		
	Name of entity of the Indofood Group	Name of connected party		For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 30 September 2019			For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
(2)	Indofood/ICBP	Pinehill	<p>Indofood/ICBP:</p> <p>(1) grants an exclusive licence in respect of the "Indomie", "Supermi" and "Pop Mie" trademarks in certain countries in the Middle East;</p> <p>(2) provides technical services in connection with instant noodle manufacturing operations in certain countries in the Middle East; and</p> <p>(3) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products to Pinehill.</p>	58.1	59.7	60.2	130.1	69.9	151.1	158.1	169.9

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/arrangement		Nature of agreement/arrangement	Actual Transaction Amount (US\$ millions)			Annual Cap for the year ending 31 December 2019 (where applicable) (US\$ millions)	Remaining Annual Cap for the year ending 31 December 2019, as at 30 September 2019 (where applicable) (US\$ millions)	Proposed Annual Cap (US\$ millions)		
	Name of entity of the Indofood Group	Name of connected party		For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 30 September 2019			For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
(3)	Indofood/ICBP	SAWAZ Group	Indofood/ICBP:  (1) grants a non-exclusive licence in respect of the “Indomie” trademark in certain countries in the Middle East and Africa;  (2) provides technical services in connection with instant noodle manufacturing operations in certain countries in the Middle East and Africa; and  (3) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products  to SAWAZ Group.	31.0	38.9	44.5	68.1	23.6	129.9	159.3	201.1
(4)	Indofood and its subsidiaries	Indomobil and its subsidiaries	Indomobil and its subsidiaries sell/rent vehicles, sell spare parts and provide service vehicle to Indofood and its subsidiaries.	1.2	5.2	6.9	31.2	24.3	2.2	2.7	3.2
(5)	Indofood and its subsidiaries	PTIS	Indofood and its subsidiaries sell scrap product to PTIS.	-	0.0 <sup>(a)</sup>	0.0 <sup>(a)</sup>	1.5	1.5	0.5	0.6	0.6
(6)	Indofood and its subsidiaries	Shanghai Resources	Indofood and its subsidiaries sell noodles products to Shanghai Resources.	-	-	-	-	-	6.4	11.3	16.9
<b>Aggregated actual transaction amounts/Annual Caps:</b>				<b>124.3</b>	<b>148.5</b>	<b>138.1</b>	<b>295.1</b>	<b>157.0</b>	<b>360.3</b>	<b>409.2</b>	<b>474.2</b>

*Note:*

(a) Rounded to the nearest US\$ million.

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## LETTER FROM THE BOARD

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As at 30 September 2019, in respect of each of the 2017-2019 Noodles Business Transactions numbered (1) to (5) in Table A above, the transaction amount during the period from 1 January 2019 to 30 September 2019 was below the applicable existing Annual Cap for the year ending 31 December 2019.

Each of the 2020-2022 Noodles Business Transactions referred to in Table A 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 2020-2022 Noodles Business Transactions 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 in respect of each such transaction provides (or, in the case of transaction numbered (6) in Table A above, will provide) that the pricing/fee chargeable in respect of each of the 2020-2022 Noodles Business Transactions in Table A above will reflect normal commercial terms and will be on an arm's length basis and based on normal market conditions. The consideration under the 2020-2022 Noodles Business Transactions is payable in accordance with credit terms to be agreed between the parties, in cash. Details of the pricing policy are set out in the section headed "Pricing Policies and Reasons for and Benefits of Entering into the Transactions" below in this circular.

The proposed Annual Caps for the 2020-2022 Noodles Business Transactions specified in Table A are 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 and the need to accommodate expansion of the noodles market in the Middle East and Africa.

The principal factors considered by the Company and Indofood in determining the proposed Annual Caps for the 2020-2022 Noodles Business Transactions specified in Table A are summarised in Table A2 below:

## LETTER FROM THE BOARD

**Table A2 – Principal Factors considered by the Company and Indofood in determining the proposed Annual Caps for the 2020-2022 Noodles Business Transactions (Transaction numbers correspond to the transaction numbers in Table A above)**

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(1)	Indofood/ICBP	Dufil	<p>Indofood/ICBP:</p> <p>(1) grants an exclusive licence in respect of the "Indomie" trademark in Nigeria and provides technical services in connection with instant noodle manufacturing operations in Nigeria; and</p> <p>(2) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products to Dufil.</p>	70.2	77.2	82.5	<p>– The transacted amount under this continuing connected transaction increased by approximately 31.5% in 2018 as compared to 2017 and decreased by approximately 21.0% in 2019 (on an annualized basis) as compared to 2018. The increase in 2018 was mainly due to the increase in sales of food ingredients to Dufil, while the decrease in 2019 was mainly due to lower sales from the food ingredient segment because Dufil has begun to produce certain products, such as seasoning oil, by itself rather than purchasing from the Indofood Group. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy and the uncertainties pursuant to the trade war between the United States of America and China.</p> <p>– The generally positive economic indicators in Nigeria, including (i) the sustained growth in the annual real gross domestic product ("GDP") from 2017 to 2018 and in the first quarter of 2019; (ii) the year on year growth in household consumption expenditure in 2018; and (iii) the growth in national disposable income in the first quarter of 2019, which is higher than that recorded in the first quarter of 2018.</p> <p>– Dufil's projection of increase in annual demand for Indofood Group's products, in particular, packaging materials for instant noodles due to short-term production limitations in Dufil's own production facilities. Dufil's projected increase reflects: (i) the increasing population, (ii) increasing consumption per capita ("CPC"), and Dufil's plans to: (i) increase the number of noodles production lines to meet domestic demand, (ii) increase selling prices and (iii) introduce one new type of noodles flavour during 2020 to 2022. Accordingly, Dufil expects to order more premix (including ingredients, seasoning and packaging materials) from Indofood/ICBP for the increased production, and pay higher trademark licensing fees and technical service fees as a result of the expected increase in sales amounts.</p> <p>– The Annual Caps embedded an estimated annual growth rate of approximately 59.2%, 10.0% and 6.8% on the annual transaction amount for 2020, 2021 and 2022 respectively, with an average annual growth rate of 25.3%.</p> <p>– A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate in view of the volatility in the spot exchange rate of Rupiah to US\$ and for the possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(2)	Indofood/ICBP	Pinehill	<p>Indofood/ICBP:</p> <p>(1) grants an exclusive licence in respect of the “Indomie”, “Supermi” and “Pop Mie” trademarks in certain countries in the Middle East;</p> <p>(2) provides technical services in connection with instant noodle manufacturing operations in certain countries in the Middle East; and</p> <p>(3) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products to Pinehill.</p>	151.1	158.1	169.9	<p>– The transacted amount under this continuing connected transaction in 2018 was comparable with that of 2017 and increased in 2019 (on an annualized basis) by approximately 34.5% as compared to 2018, mainly because of the increase in sales volume of food ingredient as a result of higher local demand. The unutilised amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy and the uncertainties pursuant to the trade war between the United States of America and China.</p> <p>– Pinehill’s projection of increase in annual demand for ingredients and flexible packaging due to higher consumption rate, which is in turn linked to the expected overall increase in industry demand for noodles products as a result of increasing population as well as the increasing CPC.</p> <p>– The Annual Caps embedded an estimated annual growth rate of approximately 50.6%, 4.6% and 7.4% on the annual transaction amount for 2020, 2021 and 2022 respectively, with an average annual growth rate of approximately 20.9%.</p> <p>– A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate in view of the volatility in the spot exchange rate of Rupiah to US\$ and for the possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(3)	Indofood/ICBP	SAWAZ Group	<p>Indofood/ICBP:</p> <p>(1) grants a non-exclusive licence in respect of the "Indomie" trademark in certain countries in the Middle East and Africa;</p> <p>(2) provides technical services in connection with instant noodle manufacturing operations in certain countries in the Middle East and Africa; and</p> <p>(3) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products to SAWAZ Group.</p>	129.9	159.3	201.1	<p>– The transacted amount under this continuing connected transaction increased by approximately 25.5% in 2018 as compared to 2017, and further increased in 2019 (on an annualized basis) by approximately 52.4% as compared to 2018, representing an average growth rate of 39.0% from 2017 to 2019 (on an annualized basis), mainly because of the positive performance from food ingredient sales in key markets, namely Egypt and Syria. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy and the uncertainties pursuant to the trade war between the United States of America and China.</p> <p>– SAWAZ Group's projection of increase in sales volume of instant noodle products to be manufactured and sold by SAWAZ Group in their markets (in particular Egypt and Turkey) for each of the three years ending 31 December 2022 as well as the expected commencement of business in Iraq, a new market, in 2020. For Egypt, expected increase in population, CPC, and an additional factory with two noodles production lines to be built to increase production capacity to meet the expected increase in the demand for noodles; for Turkey, expected increase in population, CPC, and an additional production line; for other markets such as Syria, Kenya and Morocco, a projected increase in population and CPC; and for Sudan and Ethiopia, a projected increase in population. Accordingly, the SAWAZ Group expects to order more ingredients, seasoning and packaging materials from Indofood/ICBP for the increased production, and pay higher royalty fees and technical service fees as a result of the expected increased sales amounts.</p> <p>– The projected increase in annual supply of ingredients and noodle seasonings and packaging materials to the SAWAZ Group for the manufacturing of instant noodle products, based on projected increase in sales volume of instant noodle products.</p> <p>– Based on the favourable projected growth of this continuing connected transaction, the Annual Caps embedded an estimated annual growth rate of approximately 75.2%, 22.6% and 26.3% on the annual transaction amount for 2020, 2021 and 2022 respectively, with an average annual growth rate of approximately 41.4%.</p> <p>– A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate in view of the volatility in the spot exchange rate of Rupiah to US\$ and for the possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(4)	Indofood and its subsidiaries	Indomobil and its subsidiaries	Indomobil and its subsidiaries sell/rent vehicles, sell spare parts and provide service vehicle to Indofood and its subsidiaries.	2.2	2.7	3.2	<p>- The transaction amount under this continuing connected transaction increased by 333.3% in 2018 as compared to 2017 and by 76.9% in 2019 (on an annualized basis) as compared to 2018, mainly because of the increase in demand for vehicles to facilitate the distribution network of instant noodles as a whole and as a result of Indofood's vehicles replacement program.</p> <p>- The Annual Cap for 2020 is expected to decline as the aforementioned vehicles replacement program is near completion. Having considered the under-utilisation of the Annual Cap for 2019, the amount of the Annual Cap for 2020 has been set at US\$2.2 million, as compared to US\$31.2 million in 2019. The Annual Caps embedded an estimated annual growth rate of approximately 22.2% and 18.2% on the annual transaction amount for 2021 and 2022 respectively.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the US\$/Rupiah exchange rate and for the uncertainty in the growth rate of the Indofood Group's demand for the services provided by the Indomobil group; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to uncertainty in the growth rate of the Indofood Group's demand for the services provided by the Indomobil group.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(5)	Indofood and its subsidiaries	PTIS	Indofood and its subsidiaries sell scrap product to PTIS.	0.5	0.6	0.6	<p>– The transaction with PTIS commenced on 6 June 2018. The transacted amount in 2018 and during the period from 1 January 2019 to 30 September 2019 were minimal, due to a temporary cessation in production of certain recipes of animal feed by PTIS which would require noodles by-products as one of the ingredients.</p> <p>– Having considered the under-utilisation of the Annual Cap for 2019, the amount of the Annual Cap for 2020 has been set at US\$0.5 million, as compared to US\$1.5 million in 2019. The expected transaction amount under this continuing connected transaction is determined, based on, among other things, the assumption that PTIS will resume production of the aforementioned recipes involving noodles by-products as one of the ingredients in 2020.</p> <p>– A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>
(6)	Indofood and its subsidiaries	Shanghai Resources	Indofood and its subsidiaries sell noodles products to Shanghai Resources.	6.4	11.3	16.9	<p>– The expected transaction amount under this new continuing connected transaction has been determined, based on, among other things, the projected demand for instant noodles in the PRC market. The projected increase in the Annual Caps from 2020 to 2022 reflects the plan of the Indofood Group to increase the availability of its noodles to more cities in the PRC in the next three years. The intention is to start the business by selling instant noodles in the Southern part of China with target sales of 24.3 million packs of noodles products; expand the market to Eastern China with target sales of 40 million packs in 2021; and to market to other parts of China with target sales of 60 million packs in 2022.</p> <p>– A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

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## LETTER FROM THE BOARD

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### **RENEWAL OF INDOFOOD GROUP'S PLANTATIONS BUSINESS TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

The framework agreements in respect of the existing 2017-2019 Plantations Business Transactions will expire on 31 December 2019. As disclosed in the Company's circular dated 30 December 2016, subject to compliance with the relevant requirements of the rules of any stock exchange to which any of the parties to the relevant framework agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, each of the framework agreements will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier by any party to the relevant framework agreement by giving not less than one month's notice to the other party(ies) in accordance with the terms of the relevant framework agreement.

Subject to Independent Shareholders' approval having been obtained in respect of the 2020-2022 Plantations Business Transactions, the framework agreements in respect of the transactions numbered (1) to (12) below will be automatically renewed from 1 January 2020 for a term of three years, expiring on 31 December 2022, on the same terms as those of the existing agreements. No new agreements will be entered into in respect of the transactions numbered (13) to (16) in Table B below.

The transactions numbered (13) to (16) in Table B below will not be renewed because the relevant parties have projected that no activity will occur between the relevant parties in respect of such transactions for 2020 to 2022.

The arrangements under the renewed framework agreements relating to the 2020-2022 Plantations Business Transactions (as the case may be), their respective historical transaction amounts for the years ended 31 December 2017 and 31 December 2018 and for the period from 1 January 2019 to 30 September 2019, their respective Annual Caps for the year ending 31 December 2019, their respective remaining Annual Cap for the year ending 31 December 2019 and the proposed Annual Caps for 2020, 2021 and 2022 in respect of the renewed framework agreements are described in Table B below.

## LETTER FROM THE BOARD

**Table B – 2020-2022 Plantations Business Transactions, historical transaction amounts for the years ended 31 December 2017 and 31 December 2018 and for the period from 1 January 2019 to 30 September 2019, Annual Caps for the year ending 31 December 2019, remaining Annual Caps for the year ending 31 December 2019 and proposed Annual Caps**

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Actual Transaction Amount (US\$ millions)			Annual Cap for the year ending 31 December 2019 (US\$ millions)	Remaining Annual Cap for the year ending 31 December 2019, as at 30 September 2019 (US\$ millions)	Proposed Annual Cap (US\$ millions)		
	Name of entity of the Indofood Group	Name of connected party		For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 30 September 2019			For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
(1)	SIMP and its subsidiaries	STP	STP provides pumping services to SIMP and its subsidiaries to load crude palm oil and other derivative products to vessels.	0.7	0.5	0.3	1.5	1.2	0.8	0.9	1.0
(2)	SIMP and its subsidiaries	CSNJ	SIMP and its subsidiaries rent infrastructure from CSNJ, and vice-versa.	0.0 <sup>(a)</sup>	0.0 <sup>(a)</sup>	0.0 <sup>(a)</sup>	0.4	0.4	0.1	0.1	0.1
(3)	SIMP and its subsidiaries	RMK	SIMP and its subsidiaries lease heavy equipment and buy building materials and rent office space, trucks and tug boats from RMK; use transportation services from RMK; and purchase road reinforcement services from RMK.	1.3	0.9	0.7	6.8	6.1	1.7	1.8	2.0
(4)	SIMP and its subsidiaries	IGER Group	SIMP and its subsidiaries provide operational services; sell seedlings, fertilizer products and lease office space to the IGER Group. SIMP and its subsidiaries also buy prefabricated housing materials and palm oil and its derivatives from the IGER Group.	31.2	51.7	30.4	150.4	120.0	94.1	106.0	117.6
(5)	Indofood and its subsidiaries	Indomobil and its subsidiaries	Indomobil and its subsidiaries sell/rent vehicles, sell spare parts and provide vehicle services to Indofood and its subsidiaries.	4.9	6.4	5.7	13.1	7.4	11.5	12.1	12.7
(6)	SIMP	Shanghai Resources	SIMP sells palm oil and its derivative products to Shanghai Resources.	28.5	35.2	23.1	56.3	33.2	65.5	79.0	98.6

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Actual Transaction Amount (US\$ millions)			Annual Cap for the year ending 31 December 2019 (US\$ millions)	Remaining Annual Cap for the year ending 31 December 2019, as at 30 September 2019 (US\$ millions)	Proposed Annual Cap (US\$ millions)		
	Name of entity of the Indofood Group	Name of connected party		For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 30 September 2019			For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
(7)	SIMP	NIC	SIMP sells margarine to NIC.	0.9	0.9	0.7	1.9	1.2	1.8	1.9	2.2
(8)	Indofood	LPI	Indofood grants an exclusive license of its "Indosugar" trademark relating to sugar to LPI.	0.4	0.4	0.4	1.0	0.6	0.7	0.7	0.7
(9)	IAK	LPI	IAK sells packaging materials to LPI.	0.4	0.4	0.3	1.0	0.7	0.6	0.7	0.9
(10)	SIMP and its subsidiaries	Indomaret	SIMP and its subsidiaries sell finished goods to Indomaret.	50.7	52.9	43.3	94.0	50.7	94.4	119.8	152.2
(11)	SIMP and its subsidiaries	Indogrosir	SIMP and its subsidiaries sell finished goods to Indogrosir.	24.1	27.3	25.5	54.2	28.7	59.5	75.7	96.3
(12)	Indofood and its subsidiaries	PTIS	Indofood and its subsidiaries sell crude palm oil to PTIS.	-	0.2	0.0 <sup>(a)</sup>	2.0	2.0	0.4	0.5	0.6
(13)	SIMP	ADS	ADS grants a 7-month lease to SIMP for use of factory properties.	0.5	-	-	-	-	-	-	-
(14)	Indofood and its subsidiaries	IKU	IKU provides consulting services for project development to Indofood and its subsidiaries.	-	-	-	0.2	0.2	-	-	-
(15)	Indofood and its subsidiaries	LPI	Indofood and its subsidiaries buy sugar from LPI.	-	-	-	0.2	0.2	-	-	-
(16)	SIMP	FFI	SIMP sells deep fat frying oil to FFI.	4.5	3.6	1.2	6.4	5.2	-	-	-
<b>Aggregated actual transaction amounts/Annual Caps:</b>				<b>148.1</b>	<b>180.4</b>	<b>131.6</b>	<b>389.4</b>	<b>257.8</b>	<b>331.1</b>	<b>399.2</b>	<b>484.9</b>

*Note:*

(a) Rounded to the nearest US\$ million.

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## LETTER FROM THE BOARD

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As at 30 September 2019, in respect of each of the 2017-2019 Plantations Business Transactions, the transaction amount during the period from 1 January 2019 to 30 September 2019 was below the Annual Cap for the year ending 31 December 2019.

Each of the 2020-2022 Plantations Business Transactions referred to in Table B 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;
- (ii) except as referred to in (iii) below, each of the counterparties is an associate of Mr. Salim; and
- (iii) each of and the members of the IGER Group, including LPI, is a connected person of the Company by virtue of Rule 14A.16, because it is a non-wholly owned subsidiary of Indofood (and, therefore, of the Company) and Mr. Salim and companies controlled by him control 10% or more of the voting power of each of them.

The 2020-2022 Plantations Business Transactions 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 provide that the pricing/fee chargeable in respect of each of the 2020-2022 Plantations Business Transactions in Table B above will be determined from time to time based on the written mutual agreement between the parties, with due regard to prevailing market conditions. The consideration under the 2020-2022 Plantations Business Transactions is payable in accordance with credit terms to be agreed between the parties, in cash. Details of the pricing policy are set out in the section headed "Pricing Policies and Reasons for and Benefits of Entering into the Transactions" below in this circular.

The proposed Annual Caps for the 2020-2022 Plantations Business Transactions specified in Table B are 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 and the continuing development of raw land into planted areas. The projected activity level is based on an estimate of the requirements of each plantation company in respect of its respective planting activities and operations. The Indofood Group will continue to focus on (i) the replanting of older palms in North Sumatra and Riau; (ii) the expansion of milling facilities with the completion of a 45 metric tonne fresh fruit bunches/hour mill in Kalimantan in the fourth quarter of 2019; and (iii) with respect to its downstream operations, maintaining a competitive pricing strategy for Bimoli, expanding Delima as a second brand to capture a potential more affordable segment and adding direct distribution networks through e-commerce platforms.

The principal factors considered by the Company and Indofood in determining the proposed Annual Caps for the 2020-2022 Plantations Business Transactions specified in Table B (namely, transactions numbered (1) to (12)) are summarised in Table B2 below:

## LETTER FROM THE BOARD

**Table B2 – Principal Factors considered by the Company and Indofood in determining the proposed Annual Caps for the 2020-2022 Plantations Business Transactions (Transaction numbers correspond to the transaction numbers in Table B above)**

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(1)	SIMP and its subsidiaries	STP	STP provides pumping services to SIMP and its subsidiaries to load crude palm oil and other derivative products to vessels.	0.8	0.9	1.0	<ul style="list-style-type: none"> <li>- The transacted amount under this continuing connected transaction decreased by approximately 28.6% in 2018 as compared to 2017 and further decreased by approximately 20.0% in 2019 (on an annualized basis) as compared to 2018. The decreases are mainly attributable to unfavorable weather conditions leading to lower production of crude palm oil and other derivative products.</li> <li>- Having considered the under-utilisation of the Annual Cap for 2019, the amount of the Annual Cap for 2020 has been set at US\$0.8 million, as compared to US\$1.5 million in 2019.</li> <li>- The production volume of crude palm oil is expected to increase as a result of expected improvement in weather conditions foreseeable and immature plantations from earlier years is reaching maturity in 2020.</li> <li>- The unit prices of the pumping service provided by STP, which is expected to increase in line with domestic inflation.</li> <li>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</li> </ul>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(2)	SIMP and its subsidiaries	CSNJ	SIMP and its subsidiaries rent infrastructure from CSNJ, and vice-versa.	0.1	0.1	0.1	<p>- The transacted amounts under this continuing connected transaction were minimal in 2017, 2018 and 2019 (on an annualized basis).</p> <p>- The expected transaction amount under this continuing connected transaction is determined, based on, among other things, the under-utilisation of the Annual Cap for 2019, SIMP and its subsidiaries choosing to rent offices from CSNJ and having taken into account a minor adjustment in total rent for 2020. Such rate is expected to remain the same over the next three years.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(3)	SIMP and its subsidiaries	RMK	SIMP and its subsidiaries lease heavy equipment and buy building materials and rent office space, trucks and tug boats from RMK; use transportation services from RMK; and purchase road reinforcement services from RMK.	1.7	1.8	2.0	<p>- The transacted amount under this continuing connected transaction slightly fluctuated around US\$1.0 million in each of 2017, 2018 and 2019 (on an annualized basis). The changes are mainly attributable to the moderate decline in production of fresh fruit bunches as a result of unfavorable weather conditions and hence the lower demand for trucks and tug boats.</p> <p>- Having considered the under-utilisation of the Annual Cap for 2019, the amount of the Annual Cap for 2020 has been set at US\$1.7 million, as compared to US\$6.8 million in 2019. The Annual Caps embedded an estimated average annual growth rate of approximately 23.3% for 2020 to 2022 as the production volume of fresh fruit bunches is expected to increase as a result of maturing plantations.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(4)	SIMP and its subsidiaries	IGER Group	SIMP and its subsidiaries provide operational services; sell seedlings, fertilizer products and lease office space to the IGER Group. SIMP and its subsidiaries also buy prefabricated housing materials and palm oil and its derivatives from the IGER Group.	94.1	106.0	117.6	<p>- The transacted amount under this continuing connected transaction increased by approximately 65.7% in 2018 as compared to 2017 but decreased by approximately 21.7% in 2019 (on an annualized basis) as compared to 2018. The increase in 2018 mainly attributable to the increase in the amount of crude palm oil purchased by SIMP and its subsidiaries due to their own higher production level, while the decrease in 2019 mainly attributable to the drop in overall production of crude palm oil as a result of unfavourable weather conditions as well as lower sales value due to a drop in crude palm oil price.</p> <p>- Over 90% of each of the Annual Caps and historical transaction amounts are attributable to the purchase of crude palm oil, fresh fruit bunches and palm kernel from the IGER Group by SIMP and its subsidiaries.</p> <p>- Having considered the under-utilisation of the Annual Cap for 2019, the amount of the Annual Cap for 2020 has been set at US\$94.1 million, as compared to US\$150.4 million in 2019. The Annual Caps for 2020, 2021 and 2022 embedded an estimated average annual growth rate of approximately 36.5%, taking into account (i) the expected increase in internal demand for crude palm oil and palm kernel of SIMP and its subsidiaries for use in its edible oils and fats business and (ii) the expected substantial increase in the mature area of its palm oil plantations and in the output volume of fresh fruit bunches, crude palm oil and palm kernel in 2020.</p> <p>- Internal demand for crude palm oil and palm kernel of SIMP and its subsidiaries for use in its edible oils and fats business, in particular, the refinery in Surabaya is looking to expand capacity to approximately 300,000 tonnes per year.</p> <p>- The IGER Group expects that there will be a substantial increase in the output volume of fresh fruit bunches, crude palm oil and palm kernel is expected to increase by approximately 20% in 2020 and 10% on average in 2021 and 2022 respectively as a result of the maturing plantations and better weather conditions.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(5)	Indofood and its subsidiaries	Indomobil and its subsidiaries	Indomobil and its subsidiaries sell/rent vehicles, sell spare parts, and provide vehicle services to Indofood and its subsidiaries.	11.5	12.1	12.7	<p>- The transacted amount under this continuing connected transaction increased by approximately 30.6% in 2018 as compared to 2017 and further increased by approximately 18.8% in 2019 (on an annualized basis) as compared to 2018. The increases are mainly attributable to the increased planting of fresh fruit bunches in anticipation of a rebound in crude palm oil prices and demand and hence higher demand for vehicles and transportation.</p> <p>- Having considered the under-utilisation of the Annual Cap for 2019, the amount of the Annual Cap for 2020 has been set at US\$11.5 million, as compared to US\$13.1 million in 2019. The Annual Caps for 2020, 2021 and 2022 with an average growth rate of approximately 10.6% is based on (i) the estimated number and models of vehicle required to be purchased and leased to facilitate the expansion of oil palm plantation area with new planting in the coming three years and the maturing plantations; (ii) the estimated number of corresponding spare parts and services required for the maintenance of the vehicles; and (iii) the expected increase in leasing rate or purchase price of vehicles and spare parts.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(6)	SIMP	Shanghai Resources	SIMP sells palm oil and its derivative products to Shanghai Resources.	65.5	79.0	98.6	<p>- The transacted amount under this continuing connected transaction increased by approximately 23.5% in 2018 as compared to 2017 but decreased by approximately 12.5% in 2019 (on an annualized basis) as compared to 2018. The increase in 2018 is mainly attributable to changes in demand from the PRC market, and increase in prices of SIMP's products, while the decrease in 2019 is a result of a drop in crude palm oil prices despite an increase in volume sold. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy and the uncertainties pursuant to the trade war between the United States of America and China.</p> <p>- Projected increase in demand for palm oil and its derivative products by Shanghai Resources from SIMP in 2020, 2021 and 2022. The Annual Caps for 2020 to 2022 embedded an estimated average annual growth rate of approximately 38.5%, taking into account (i) the appointment of Shanghai Resources as an additional distributor for margarine in China (given the expanding, and more extensive distribution coverage of Shanghai Resources in the PRC), expansion plans of SIMP including the offering of new products, and accordingly an increase in sales to Shanghai Resources), (ii) the change of the usage of soya oil to crude palm oil products, (iii) the expected increase in the prices of palm oil and its derivative products, and (iv) the historical growth rate of 23.5% from 2017 to 2018.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(7)	SIMP	NIC	SIMP sells margarine to NIC.	1.8	1.9	2.2	<p>- The transacted amount under this continuing connected transaction remained at approximately US\$0.9 million in 2017, 2018 and 2019 (on an annualized basis). The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- Having considered the under-utilisation of the Annual Cap for 2019, the amount of the Annual Cap for 2020 has been set at US\$1.8 million, as compared to US\$1.9 million in 2019.</p> <p>- Younger consumers in Indonesia favouring a more diverse range of foods including wheat-based bread, leading to the continuous expansion of the business of NIC (including its bakery business) and hence the continuous demand of bakery fats from SIMP.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated average annual growth rate of approximately 27.6%, taking into account an increase in demand for margarine by NIC as NIC is still in the process of expanding its operations, and the expected increase in the market prices of margarine in the coming three years.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(8)	Indofood	LPI	Indofood grants an exclusive license of its "Indosugar" trademark relating to sugar to LPI.	0.7	0.7	0.7	<p>- The transacted amount under this continuing connected transaction remained relatively stable at approximately US\$0.4 million in 2017 and 2018 and increased by approximately 25.0% in 2019 (on an annualized basis), due to increase in sales volume of sugar.</p> <p>- Having considered the under-utilisation of the Annual Cap for 2019, the amount of the Annual Cap for 2020 has been set at US\$0.7 million, as compared to US\$1.0 million in 2019. The total sales amount of LPI, and therefore the royalty fee payment (which is calculated on a fixed rate of the total sales amount of LPI), is expected to increase in 2020 and remain stable in 2021 and 2022, due to the continuous growth in population and hence the demand of sugar in 2020 and the fact that LPI is expecting to reach full capacity in 2021.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(9)	IAK	LPI	IAK sells packaging materials to LPI.	0.6	0.7	0.9	<p>- The transacted amount under this continuing connected transaction were relatively stable in 2017, 2018 and 2019 (on an annualized basis) at approximately US\$0.4 million. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- IAK plans to reduce the price it charges for its packaging materials to match or beat the offers from other independent packaging companies, and hence expects to increase the sale of packaging materials to LPI in 2020 to 2022. The higher pricing of IAK in the past is believed to have attributed to the significant under-utilised Annual Cap in 2019. By offering of more competitive prices, IAK expects to increase its sales with LPI in 2020 to 2022, although the amount of the Annual Cap for 2020 has been set at US\$0.6 million, as compared to US\$1.0 million in 2019, by virtue of the under-utilisation of the Annual Cap for 2019.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated average annual growth rate of approximately 20.6%, taking into account (i) the projected demand of packaging materials of LPI from IAK instead of from independent third parties in the coming three years, (ii) the increase in selling prices of packaging materials, (iii) the growth in population, (iv) increasing demand of sugar, and (v) increasing production of sugar.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(10)	SIMP and its subsidiaries	Indomaret	SIMP and its subsidiaries sell finished goods to Indomaret.	94.4	119.8	152.2	<p>- The transacted amount under this continuing connected transaction increased by approximately 4.3% in 2018 as compared to 2017 and further increased by approximately 9.1% in 2019 (on an annualized basis) as compared to 2018. The unutilised amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- Indomaret currently operates approximately 16,900 outlets/mini stores in Indonesia as compared to 12,000 outlets/mini stores in 2016 (representing a compound annual growth rate (CAGR) of 12.1% from 2016), and it intends to achieve an annual growth of approximately 5%. The historical increase in the sales of cooking oil products, sugar and other products has in part contributed to the increase in the number of outlets/mini stores of Indomaret in Indonesia.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated average annual growth rate of approximately 28.3%, taking into account the increase in sales volume based on the anticipated demand of packaged cooking oil products and oil derivative products, and the prevailing market prices and the expected increase in the market prices of the packaged cooking oil products, oil derivative products and sugar.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(11)	SIMP and its subsidiaries	Indogrosir	SIMP and its subsidiaries sell finished goods to Indogrosir.	59.5	75.7	96.3	<p>- The transacted amount under this continuing connected transaction increased by approximately 13.3% in 2018 as compared to 2017 and further increased by approximately 24.5% in 2019 (on an annualized basis) as compared to 2018. Such increases are mainly attributable to the increase in sales volume of packaged cooking oil products, sugar and oil derivative products as well as continued business expansion. The unutilised amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- Indogrosir currently operating approximately 23 outlets in Indonesia as compared to 21 outlets in 2016 (representing an increase of 9.5% from 2016), and Indogrosir intending to achieve an annual growth of approximately 5%. The historical increase in the sales of cooking oil products, sugar and other products has in part contributed to the increase in the number of outlet stores of Indogrosir in Indonesia.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated growth rate of approximately 31.5% taking into account (i) the estimated sales volume of the packaged cooking oil products and oil derivative products by Indogrosir based on Indogrosir's plan to further expand the number of its outlets in Indonesia; and (ii) the prevailing market prices and the expected increase in the market prices of packaged cooking oil products, oil derivative products and sugar.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(12)	Indofood and its subsidiaries	PTIS	Indofood and its subsidiaries sell crude palm oil to PTIS.	0.4	0.5	0.6	<p>- This continuing connected transaction only commenced on 6 June 2018 and the transacted amounts under this continuing connected transaction was minimal in 2019 due to the fact that PTIS did not produce animal feeds according to recipes which required palm oil as an ingredient.</p> <p>- Having considered the under-utilisation of the Annual Cap for 2019, the amount of the Annual Cap for 2020 has been set at US\$0.4 million, as compared to US\$2.0 million in 2019. The Annual Caps for 2020, 2021, and 2022 will be US\$0.4 million, US\$0.5 million, and US\$0.6 million, respectively. The expected transaction amount under this continuing connected transaction is determined, based on, among other things, the expected increase in maturing plantations which will have a positive effect on the production of crude palm oils and derivative products as well as the expectation that PTIS will be resuming production of animal feed with recipes involving the use of palm oil. In addition, sales price is also likely to improve due to the expected recovery in the price for crude oil products.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

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## LETTER FROM THE BOARD

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### **RENEWAL OF INDOFOOD GROUP'S DISTRIBUTION BUSINESS TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

The framework agreements in respect of the existing 2017-2019 Distribution Business Transactions will expire on 31 December 2019. Subject to compliance with the relevant requirements of the rules of any stock exchange to which any of the parties to the relevant framework agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, each of the framework agreements will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier by any party to the relevant framework agreement by giving not less than one month's notice to the other party(ies) in accordance with the terms of the relevant framework agreement.

Subject to Independent Shareholders' approval having been obtained in respect of the 2020-2022 Distribution Business Transactions, the framework agreements in respect of the transactions numbered (1) to (15) in Table C below will be automatically renewed from 1 January 2020 for a term of three years, expiring on 31 December 2022, on the same terms as those of the existing agreements.

The transaction numbered (16) in Table C below will not be renewed because RMK will no longer rent warehouses and office space from IAP for 2020 to 2022.

The arrangements under the renewed framework agreements relating to the 2020-2022 Distribution Business Transactions (as the case may be), their respective historical transaction amounts for the years ended 31 December 2017 and 31 December 2018 and for the period from 1 January 2019 to 30 September 2019, their respective Annual Caps for the year ending 31 December 2019, their respective remaining Annual Cap for the year ending 31 December 2019 and the proposed Annual Caps for 2020, 2021 and 2022 in respect of the renewed framework agreements are described in Table C below.

## LETTER FROM THE BOARD

**Table C – 2020-2022 Distribution Business Transactions, historical transaction amounts for the years ended 31 December 2017 and 31 December 2018 and for the period from 1 January 2019 to 30 September 2019, Annual Caps for the year ending 31 December 2019, remaining Annual Caps for the year ending 31 December 2019 and proposed Annual Caps**

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Actual Transaction Amount (US\$ millions)			Annual Cap for the year ending 31 December 2019 (US\$ millions)	Remaining Annual Cap for the year ending 31 December 2019, as at 30 September 2019 (US\$ millions)	Proposed Annual Cap (US\$ millions)		
	Name of entity of the Indofood Group	Name of connected party		For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 30 September 2019			For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
(1)	IAP	LS	IAP distributes various consumer products to LS.	19.3	17.6	14.3	29.6	15.3	27.1	31.2	35.9
(2)	IAP	FFI	IAP sells chilli and tomato sauces, seasonings and dairy products to FFI.	1.7	1.8	1.2	3.2	2.0	2.2	2.5	2.7
(3)	PDU	LS	PDU distributes various consumer products to LS.	1.5	1.3	1.3	3.2	1.9	2.4	2.8	3.2
(4)	Indofood and its subsidiaries	Indomobil and its subsidiaries	Indomobil and its subsidiaries sell/ rent vehicles, sell spare parts and provide vehicle services to Indofood and its subsidiaries.	6.9	3.6	4.3	18.3	14.0	8.1	8.9	9.7
(5)	Indofood and its subsidiaries	SDM	Indofood and its subsidiaries use human resources outsourcing services from SDM.	8.5	9.9	11.3	19.7	8.4	22.3	26.8	32.1
(6)	IAP	Indomaret	IAP sells finished goods to Indomaret.	148.0	141.6	122.7	324.7	202.0	245.3	294.3	353.2
(7)	IAP	Indogrosir	IAP sells finished goods to Indogrosir.	46.0	50.2	42.2	65.9	23.7	83.0	99.6	119.5
(8)	PDU	Indomaret	PDU sells finished goods to Indomaret.	9.8	9.7	7.7	19.9	12.2	15.6	18.7	22.4
(9)	PDU	Indogrosir	PDU sells finished goods to Indogrosir.	3.0	3.1	2.5	5.2	2.7	5.0	6.0	7.2
(10)	IAP	Indomaret	Indomaret rents warehouses and office space from IAP.	0.2	0.2	0.1	0.4	0.3	0.3	0.3	0.3
(11)	IAP	LS	LS rents warehouses and office space from IAP.	0.3	0.3	0.2	0.4	0.2	0.4	0.4	0.4
(12)	IAP	Indolife	IAP's pension plan assets are managed by Indolife.	0.4	0.3	0.2	0.7	0.5	0.4	0.4	0.4
(13)	IAP	LPI	IAP buys sugar from LPI.	-	0.5	1.8	16.3	14.5	3.3	3.6	4.5
(14)	IAP	IDP	IAP pays commission fee to IDP.	-	1.2	0.1	1.8	1.7	0.2	0.2	0.2
(15)	IAP	ING	IAP buys products from ING.	-	1.2	0.9	7.0	6.1	1.6	1.7	1.9
(16)	IAP	RMK	RMK rents warehouses and office space from IAP.	-	-	-	0.2	0.2	-	-	-
<b>Aggregated actual transaction amounts/Annual Caps:</b>				<b>245.6</b>	<b>242.5</b>	<b>210.8</b>	<b>516.5</b>	<b>305.7</b>	<b>417.2</b>	<b>497.4</b>	<b>593.6</b>

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## LETTER FROM THE BOARD

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As at 30 September 2019, in respect of each of the 2017-2019 Distribution Business Transactions, the transaction amount during the period from 1 January 2019 to 30 September 2019 was below the applicable existing Annual Cap for the year ending 31 December 2019.

Each of the 2020-2022 Distribution Business Transactions referred to in Table C 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;
- (ii) except as referred to in (iii) below, each of the counterparties is an associate of Mr. Salim; and
- (iii) LPI is a connected person of the Company by virtue of Rule 14A.16, because it is a non-wholly owned subsidiary of Indofood (and, therefore, of the Company) and Mr. Salim and companies controlled by him control 10% or more of the voting power of it.

The 2020-2022 Distribution Business Transactions 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 renewed framework agreements provide that the pricing/fee chargeable in respect of each of the 2020-2022 Distribution Business Transactions in Table C above 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 2020-2022 Distribution Business Transactions is payable in accordance with credit terms to be agreed between the parties, in cash. Details of the pricing policy are set out in the section headed "Pricing Policies and Reasons for and Benefits of Entering into the Transactions" below in this circular.

The proposed Annual Caps for the 2020-2022 Distribution Business Transactions specified in Table C are estimated transaction values based on the projected activity levels between the relevant parties for the financial years ending 31 December 2020, 2021 and 2022, taking into account the historical values of the relevant transactions (where applicable).

The principal factors considered by the Company and Indofood in determining the proposed Annual Caps for the 2020-2022 Distribution Business Transactions specified in Table C (namely, transactions numbered (1) to (15)) are summarised in Table C2 below:

## LETTER FROM THE BOARD

**Table C2 – Principal Factors considered by the Company and Indofood in determining the proposed Annual Caps for the 2020-2022 Distribution Business Transactions (Transaction numbers correspond to the transaction numbers in Table C above)**

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(1)	IAP	LS	IAP distributes various consumer products to LS.	27.1	31.2	35.9	<p>– The transacted amount under this continuing connected transaction decreased by approximately 8.8% in 2018 as compared to 2017 but increased by approximately 8.5% in 2019 (on an annualized basis) as compared to 2018. The decrease in 2018 mainly attributable to an independent third-party supplier ceased to distribute certain consumer products through IAP as Indofood introduced similar products with lower price. The increase in 2019 mainly attributable to new products introduced by Indofood in 2018 being officially launched and having received positive customer reaction. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>– The Annual Caps embedded an estimated average annual growth rate of approximately 14.5% over the next three years, taking into account of the addition of new outlets, demand for new products by LS, the estimated increase in sales volume of LS and the increase in the market price of products. Based on the past experience of the Indofood Group, the introduction of new products would generally lead to an increase in sales that ranges from 10% to 20%.</p> <p>– LS currently operates approximately 168 outlets in Indonesia as compared to 126 outlets in 2016 (representing a growth of 33.3% from 2016), and expects to expand further in the coming years.</p> <p>– A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for the possible further increase in sales volume due to unexpected increase in demand, and/or possible further increase in selling prices in response to volatility in cost of production; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible further increase in sales volume due to unexpected increase in demand, and/or possible further increase in selling prices in response to volatility in cost of production.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(2)	IAP	FFI	IAP sells chilli and tomato sauces, seasonings and dairy products to FFI.	2.2	2.5	2.7	<p>- The transacted amount under this continuing connected transaction increased by approximately 5.9% in 2018 as compared to 2017, but decreased by approximately 11.1% in 2019 (on an annualized basis) as compared to 2018. The decrease is mainly due to the change in FFI's internal policy to use at least two suppliers for products sourced. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- FFI currently operates approximately 714 restaurant outlets in Indonesia (representing an increase of 174 restaurant outlets from 540 restaurant outlets in 2016) and expects to increase further in the coming three years.</p> <p>- The Annual Caps embedded annual growth rates of approximately 12.5%, 11.1% and 10.0% on the transaction amounts in 2020, 2021 and 2022 respectively, with an average annual growth rate of approximately 11.2%, taking into account the estimated increase in the sales volume of FFI and the increase in the market prices of products.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for the possible unexpected increase in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible unexpected increase in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(3)	PDU	LS	PDU distributes various consumer products to LS.	2.4	2.8	3.2	<p>- The transacted amount under this continuing connected transaction decreased by approximately 13.3% in 2018 as compared to 2017 but increased by approximately 30.8% in 2019 (on an annualized basis) as compared to 2018. The decrease in 2018 is mainly attributable to an independent third-party supplier ceased to distribute certain consumer products through IAP as Indofood introduced similar products with lower prices, while the increase in 2019 mainly attributable to new products introduced by Indofood in 2018 being officially launched and having received positive customer reaction, and the opening of new outlets and introduction of new products. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated average annual growth rate of approximately 15.3%, taking into account the expected improvement in sales as a result of the increase in anticipated demand for various consumer products, increase in the market price of such products, and the introduction of new products and new outlets by LS.</p> <p>- LS currently operates approximately 168 outlets in Indonesia as compared to 126 outlets in 2016 (representing a growth of 33.3% from 2016), and expects to expand further in the coming years.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for the possible unexpected increase in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(4)	Indofood and its subsidiaries	Indomobil and its subsidiaries	Indomobil and its subsidiaries sell/rent vehicles, sell spare parts, and provide vehicle services to Indofood and its subsidiaries.	8.1	8.9	9.7	<p>- The transacted amount under this continuing connected transaction decreased by approximately 47.8% in 2018 as compared to 2017 but increased by approximately 58.3% in 2019 (on an annualized basis) as compared to 2018. The decrease in 2018 is mainly attributable to the delay in Indofood's vehicle replacement program, while the increase in 2019 was mainly attributable to the resumption of the vehicle replacement program.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated growth rate of approximately 11.0% taking into account the continuation of Indofood's vehicle replacement program from 2019 in 2020 and the accommodation of the expansion in the size of Indofood's transportation team in order to accommodate the increase in sales.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and the uncertainty in the growth rate of the Indofood Group's demand for the services provided by the Indomobil group; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the uncertainty in the growth rate of the Indofood Group's demand for the services provided by the Indomobil group.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(5)	Indofood and its subsidiaries	SDM	Indofood and its subsidiaries use human resources outsourcing services from SDM.	22.3	26.8	32.1	<p>– The transacted amount under this continuing connected transaction increased by approximately 16.5% in 2018 as compared to 2017 and further increased by approximately 52.5% in 2019 (on an annualized basis) as compared to 2018. Such increases are mainly attributable to higher demand for labour to facilitate business needs, as well as increases in wages.</p> <p>– The Annual Caps embedded an estimated average annual growth rate of approximately 19.4% for the coming three years, taking into account further increases in wages in the next three years and the expected expansion plans for its transportation team to accommodate higher estimated sales.</p> <p>– A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for the uncertainty in the growth rate of the Indofood Group's demand for the services provided by the SDM; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the uncertainty in the growth rate of the Indofood Group's demand for the services provided by SDM.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(6)	IAP	Indomaret	IAP sells finished goods to Indomaret.	245.3	294.3	353.2	<p>- The transacted amount under this continuing connected transaction decreased by approximately 4.3% in 2018 as compared to 2017 but increased by approximately 15.5% in 2019 (on an annualized basis) as compared to 2018. The increase in 2019 is mainly attributable to the increase in the number of outlets operated by Indomaret. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- The Annual Caps embedded an estimated annual growth rate of approximately 19.9%, 20.0% and 20.1% on the annual transaction amount for 2020, 2021 and 2022 respectively, with an average annual growth rate of approximately 20.0%, taking into account the estimated increase in sales volume based on the increase in anticipated demand for the packaged cooking oil and oil derivative products, the expected increase in market prices of products sold to Indomaret, and the introduction of new products. The unutilised amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy and the uncertainties pursuant to the trade war between the United States of America and China.</p> <p>- Indomaret currently operates approximately 16,900 outlets/mini stores in Indonesia as compared to 12,000 outlets/mini stores in 2016 (representing a CAGR of 12.1% from 2016), and expects to expand further in the coming years in light of the increases in the anticipated demand for products and market prices, and the introduction of new products.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible unexpected increase in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(7)	IAP	Indogrosir	IAP sells finished goods to Indogrosir.	83.0	99.6	119.5	<p>- The transacted amount under this continuing connected transaction increased by approximately 9.1% in 2018 as compared to 2017 and further increased by approximately 12.2% in 2019 (on an annualized basis) as compared to 2018, representing an average growth rate of approximately 10.6% from 2017 to 2019 (on an annualized basis). The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- The Annual Caps embedded an estimated annual growth rate of approximately 17.9%, 20.0% and 19.9% on the annual transaction amount for 2020, 2021 and 2022 respectively, taking into account the estimated increase in sales volume based on the increase in anticipated demand for packaged cooking oil and oil derivative products, the expected increase in market prices of products sold to Indogrosir, and the introduction of new products.</p> <p>- Indogrosir currently operates approximately 23 outlets in Indonesia as compared to 21 outlets in 2016 (representing an increase of 9.5% from 2016), and it intends to achieve an annual growth rate of approximately 5% in light of the increases in the anticipated demand for products and market prices, and the introduction of new products.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(8)	PDU	Indomaret	PDU sells finished goods to Indomaret.	15.6	18.7	22.4	<p>- The transacted amount under this continuing connected transaction marginally decreased by 1.0% in 2018 as compared to 2017. The transacted amount in 2019 (on an annualized basis) has increased by 6.2% as compared with 2018.</p> <p>- The Annual Caps embedded an estimated annual growth rate of approximately 21.4%, 20.0% and 19.3% on the annual transaction amount for 2020, 2021 and 2022 respectively, with an average annual growth rate of approximately 20.2%, taking into account the introduction of new products, the unit sales price of products sold to Indomaret, and further expansion in the number of outlets operated by Indomaret.</p> <p>- Indomaret currently operates approximately 16,900 outlets/mini stores in Indonesia as compared to 12,000 outlets/mini stores in 2016 (representing a CAGR of 12.1% from 2016), and it intends to achieve an annual growth of approximately 5%.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(9)	PDU	Indogrosir	PDU sells finished goods to Indogrosir.	5.0	6.0	7.2	<p>- The transacted amount under this continuing connected transaction increased by approximately 3.3% in 2018 as compared to 2017 and further increased by approximately 6.5% in 2019 (on an annualized basis) as compared to 2018. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated average annual growth rate of approximately 20.7%, taking into account the estimated increase in sales volume, the planned introduction of new products, and the expected increase in unit sales price of products sold to Indogrosir.</p> <p>- Indogrosir currently operates approximately 23 outlets in Indonesia as compared to 21 outlets in 2016 (representing an increase of 9.5% from 2016), and it intends to achieve an annual growth rate of approximately 5% in light of the planned introduction of new products and expected increase in unit sales prices.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(10)	IAP	Indomaret	Indomaret rents warehouses and office space from IAP.	0.3	0.3	0.3	<p>- The fixed annual rent fee of Rupiah 2.5 billion (equivalent to approximately US\$0.2 million) in 2020, 2021 and 2022 after making reference to the prevailing rental rates of similar properties in similar geographic location in Indonesia.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for the possible additional space to be rented by Indomaret from IAP due to possible growth in the operations of Indomaret; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible additional space to be rented by Indomaret from IAP due to possible growth in the operations of Indomaret.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(11)	IAP	LS	LS rents warehouses and office space from IAP.	0.4	0.4	0.4	<p>- The fixed annual rent fee of Rupiah 4.0 billion (equivalent to approximately US\$0.3 million) in 2020, 2021 and 2022 after making reference to the prevailing rental rates of similar properties in similar geographic location in Indonesia.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for the possible additional space to be rented by LS from IAP due to possible growth in the operations of LS; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible additional space to be rented by LS from IAP due to possible growth in the operations of LS.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(12)	IAP	Indolife	IAP's pension plan assets are managed by Indolife.	0.4	0.4	0.4	<ul style="list-style-type: none"> <li>- The transacted amount under this continuing connected transaction decreased by approximately 25.0% in 2018 as compared to 2017 and remained stable in 2019 (on an annualized basis) as compared to 2018. The decrease mainly related to a decrease in the number of employees, and hence less contribution required.</li> <li>- The annual contribution to the defined benefit plan to be transferred by IAP to the custodian account managed by Indolife.</li> <li>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for the possible further pension assets contributed by IAP's employees due to possible growth in number of employees of IAP; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible further pension assets contributed by IAP's employees due to possible growth in the number of employees of IAP.</li> </ul>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(13)	IAP	LPI	IAP buys sugar from LPI.	3.3	3.6	4.5	<p>- This is a continuing connected transaction that commenced since 2018 and there is no transaction amount for 2017. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- The transacted amount under this continuing connected transaction in Rupiah increased by approximately 380.0% in 2019 (on an annualized basis) as compared to 2018. Such increase is mainly because the transaction only commenced on 6 June 2018.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated growth rate of approximately 14.6% taking into account the continuous growth in both the population and the food and beverage sector, a sustained strong domestic demand and increased consumption expected from end customers. Indonesia's status as a net sugar importer has kept the domestic sugar industry relatively robust, and there is an increasing demand for sugar.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(14)	IAP	IDP	IAP pays commission fee to IDP.	0.2	0.2	0.2	<p>- This is a continuing connected transaction that commenced since 2018 and there is no transaction amount for 2017.</p> <p>- The transacted amount under this continuing connected transaction was approximately US\$1.2 million in 2018 and approximately US\$0.1 million in 2019 (on an annualized basis). The change in transaction value is mainly due to the transaction amount in 2018 represents the total sales value generated whereas the transaction amount in 2019 (on an annualized basis) represent the actual commission paid as a percentage of total sales value. If IAP was to align the reporting methodology, the transacted amounts would have been stable at approximately US\$0.1 million for both 2018 and 2019 (on an annualized basis).</p> <p>- The total sales amount of IDP, and therefore the commission fee (which is calculated on a fixed rate of the total sales amount of IDP), is expected to remain stable in 2020, 2021 and 2022. Accordingly the Annual Caps have been set to remain at US\$0.2 million for the three years ending 31 December 2020, 2021 and 2022.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to any possible growth in IDP's business; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to any possible growth in IDP's business.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(15)	IAP	ING	IAP buys products from ING.	1.6	1.7	1.9	<p>- This is a continuing connected transaction that commenced since 2018 and there is no transaction amount for 2017. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- The transacted amount under this continuing connected transaction was approximately US\$1.2 million in 2018 and remained steady in 2019 (on an annualized basis).</p> <p>- Having considered the historical transaction amounts in 2018 and 2019 and the fact that this is a continuing connected transaction that has only commenced in June 2018, the amount of the Annual Cap for 2020 has been reduced substantially when compared with the Annual Cap for 2019.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated average annual growth rate of approximately 7.7%, taking into account the increase in demand for ING products. The average annual growth rate of 7.7% over the next three years is considered not to be excessive given the rising domestic income levels in Indonesia and the willingness of the public to spend more money on cosmetics and skin care products.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to any possible growth in ING's business; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2017 to the Latest Practicable Date had been volatile with a maximum appreciation of around 2.3% and a maximum depreciation of around 11.7% against US\$ during the period (assuming the spot rate on 2 January 2017 being the base price) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to any possible growth in ING's business.</p>

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## LETTER FROM THE BOARD

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### **RENEWAL OF INDOFOOD GROUP'S FLOUR BUSINESS TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

The framework agreements in respect of the existing 2017-2019 Flour Business Transactions will expire on 31 December 2019. As disclosed in the Company's announcements dated 10 November 2016 and 6 September 2017, subject to compliance with the relevant requirements of the rules of any stock exchange to which any of the parties to the relevant framework agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, each of the framework agreements will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier by any party to the relevant framework agreement by giving not less than one month's notice to the other party(ies) in accordance with the terms of the relevant framework agreement.

Subject to Independent Shareholders' approval having been obtained in respect of the 2020-2022 Flour Business Transactions, the framework agreements in respect of the transactions numbered (1) to (12) in Table D below will be automatically renewed from 1 January 2020 for a term of three years, expiring on 31 December 2022, on the same terms as those of the existing agreements.

The arrangements under the renewed framework agreements relating to the 2020-2022 Flour Business Transactions (as the case may be), their respective historical transaction amounts for the years ended 31 December 2017 and 31 December 2018 and for the period from 1 January 2019 to 30 September 2019, their respective Annual Caps for the year ending 31 December 2019, their respective remaining Annual Cap for the year ending 31 December 2019 and the proposed Annual Caps for 2020, 2021 and 2022 in respect of the renewed framework agreements are described in Table D below.

## LETTER FROM THE BOARD

**Table D – 2020-2022 Flour Business Transactions, historical transaction amounts for the years ended 31 December 2017 and 31 December 2018 and for the period from 1 January 2019 to 30 September 2019, Annual Caps for the year ending 31 December 2019, remaining Annual Caps for the year ending 31 December 2019 and proposed Annual Caps**

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Actual Transaction Amount (US\$ millions)			Annual Cap for the year ending 31 December 2019 (US\$ millions)	Remaining Annual Cap for the year ending 31 December 2019, as at 30 September 2019 (US\$ millions)	Proposed Annual Cap (US\$ millions)		
	Name of entity of the Indofood Group	Name of connected party		For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 30 September 2019			For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
(1)	Bogasari	NIC	Bogasari sells flour to NIC.	15.8	15.0	12.8	22.6	9.8	25.9	30.2	34.5
(2)	Bogasari	FFI	Bogasari sells flour and spaghetti to FFI.	1.0	1.1	0.8	2.4	1.6	1.6	1.9	2.2
(3)	Indofood and its subsidiaries	IKU	IKU provides consulting services to Indofood and its subsidiaries.	0.0 <sup>(a)</sup>	0.0 <sup>(a)</sup>	0.0 <sup>(a)</sup>	1.8	1.8	2.2	2.3	2.4
(4)	Indofood and its subsidiaries	Indomobil and its subsidiaries	Indomobil and its subsidiaries sell/ rent vehicles, sell spare parts and provide vehicle services to Indofood and its subsidiaries.	2.1	2.9	3.1	5.4	2.3	6.1	7.8	10.4
(5)	Indofood and its subsidiaries	SDM	Indofood and its subsidiaries use human resources outsourcing services from SDM.	5.7	5.5	4.2	7.5	3.3	8.7	10.4	12.1
(6)	Indofood and its subsidiaries	PTM	Indofood and its subsidiaries use human resources outsourcing services from PTM.	2.5	2.4	1.8	3.0	1.2	3.5	3.5	3.5
(7)	Bogasari	Indogrosir	Bogasari sells finished goods to Indogrosir.	9.1	8.6	5.1	11.0	5.9	12.1	14.7	17.3
(8)	Bogasari	Shanghai Resources	Bogasari sells pasta products to Shanghai Resources.	-	0.0 <sup>(a)</sup>	-	0.4	0.4	0.5	0.6	0.6
(9)	Bogasari	Indomaret	Bogasari sells finished goods to Indomaret.	1.3	4.6	4.4	11.7	7.3	9.4	12.1	15.7
(10)	Indofood and its subsidiaries	PTIS	Indofood and its subsidiaries sell by-product to PTIS.	-	6.5	2.1	10.6	8.5	11.7	13.8	15.6
(11)	Indofood and its subsidiaries	Interflour Group	Eastern Pearl Flour Mills provides manufacturing services to Indofood and its subsidiaries. Indofood and its subsidiaries sell finished goods to Interflour Vietnam Ltd.	-	0.6	1.3	10.1	8.8	7.8	10.9	14.0
(12)	Indofood and its subsidiaries	IDP	Indofood and its subsidiaries sell finished goods to IDP.	-	0.0 <sup>(a)</sup>	0.2	0.5	0.3	0.5	0.6	0.7
<b>Aggregated actual transaction amounts/Annual Caps:</b>				<b>37.5</b>	<b>47.2</b>	<b>35.8</b>	<b>87.0</b>	<b>51.2</b>	<b>90.0</b>	<b>108.8</b>	<b>129.0</b>

*Note:*

(a) Rounded to the nearest US\$ million.

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## LETTER FROM THE BOARD

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As at 30 September 2019, in respect of each of the 2017-2019 Flour Business Transactions, the transaction amount during the period from 1 January 2019 to 30 September 2019 was below the applicable existing Annual Cap for the year ending 31 December 2019.

Each of the 2020-2022 Flour Business Transactions referred to in Table D 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 2020-2022 Flour Business Transactions 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 will provide that the pricing/fee chargeable in respect of each of the 2020-2022 Flour Business Transactions in Table D above will reflect normal commercial terms and will be on an arm's length basis and based on normal market conditions. The consideration under the 2020-2022 Flour Business Transactions is payable in accordance with credit terms to be agreed between the parties, in cash. Details of the pricing policy are set out in the section headed "Pricing Policies and Reasons for and Benefits of Entering into the Transactions" below in this circular.

The proposed Annual Caps for the 2020-2022 Flour Business Transactions specified in Table D are 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 and the anticipated expansion of the flour market.

The principal factors considered by the Company and Indofood in determining the proposed Annual Caps for the 2020-2022 Flour Business Transactions specified in Table D are summarised in Table D2 below:

## LETTER FROM THE BOARD

**Table D2 – Principal Factors considered by the Company and Indofood in determining the proposed Annual Caps for the 2020-2022 Flour Business Transactions (Transaction numbers correspond to the transaction numbers in Table D above)**

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(1)	Bogasari	NIC	Bogasari sells flour to NIC.	25.9	30.2	34.5	<p>- The transaction amounts under this continuing connected transaction decreased in 2018 by approximately 5.1% as compared to 2017, and the transaction amount increased by approximately 14.0% in 2019 (on an annualized basis) as compared to 2018. The changes were due to changes in purchase patterns of NIC as from time to time, NIC would also purchase from independent third-party suppliers due to better pricing and terms. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- Younger consumers in Indonesia favouring a more diverse range of foods including wheat-based bread, leading to the continuous expansion of the business of NIC (including its bakery business) and hence the continuous demand of bakery fats from SIMP.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated average annual growth rate of approximately 17.3% (which is in line with the increase in the transaction amount of approximately 14.0% in 2019 (on an annualized basis) as compared to 2018), taking into account of an expected increase in demand as a result of the expected increase in NIC's bread production.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for the possible further increase in sales volume due to unexpected increase in demand, and/or possible further increase in selling prices in respond to volatility in cost of production; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to the possible further increase in sales volume due to unexpected increase in demand, and/or possible further increase in selling prices in respond to volatility in cost of production.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(2)	Bogasari	FFI	Bogasari sells flour and spaghetti to FFI.	1.6	1.9	2.2	<p>- The transacted amount under this continuing connected transaction increased by approximately 10.0% in 2018 as compared to 2017 and remained relatively steady in 2019 (on an annualized basis) as compared to 2018. The changes are mainly attributable to FFI's new internal policy to use at least two suppliers for products sourced. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated average annual growth rate of approximately 17.9%, taking into account the estimated increase in sales volume, the expected increase in unit sales price of products sold to FFI and the expected increase in number of restaurant outlets of FFI.</p> <p>- FFI currently operates approximately 714 restaurant outlets in Indonesia (representing an increase of 174 restaurant outlets from 540 restaurant outlets in 2016) and expects to increase further in the coming three years.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(3)	Indofood and its subsidiaries	IKU	IKU provides consulting services to Indofood and its subsidiaries.	2.2	2.3	2.4	<p>- The historical transacted amounts under this continuing connected transaction remained no more than US\$0.1 million for each of 2017, 2018 and 2019 (on an annualized basis).</p> <p>- The upward trend in Annual Caps for 2020 to 2022 are determined based on Indofood's project pipeline, with two new projects requiring consulting services.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(4)	Indofood and its subsidiaries	Indomobil and its subsidiaries	Indomobil and its subsidiaries sell/rent vehicles, sell spare parts and provide vehicle services to Indofood and its subsidiaries.	6.1	7.8	10.4	<p>- The transacted amount under this continuing connected transaction increased by approximately 38.1% in 2018 as compared to 2017 and further increased by approximately 41.4% in 2019 (on an annualized basis) as compared to 2018. The increases are mainly attributable to the combination of Indofood's vehicle replacement program and higher demand to transport Indofood Group's products.</p> <p>- The Annual Caps for 2020 to 2022 embedded an estimated average annual growth rate of approximately 26.0% taking into account Indofood's ongoing vehicle replacement program for the Flour Business.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(5)	Indofood and its subsidiaries	SDM	Indofood and its subsidiaries use human resources outsourcing services from SDM.	8.7	10.4	12.1	<p>– The transacted amount under this continuing connected transaction decreased by approximately 3.5% in 2018 as compared to 2017 but increased by approximately 1.8% in 2019 (on an annualized basis) as compared to 2018.</p> <p>– The Annual Caps embedded an estimated average annual growth rate of approximately 20.2%, for the next three years ending 31 December 2022, taking into account further increases in wages of approximately 8.5% per annum.</p> <p>– A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(6)	Indofood and its subsidiaries	PTM	Indofood and its subsidiaries use human resources outsourcing services from PTM.	3.5	3.5	3.5	<p>- The transacted amount under this continuing connected transaction decreased by approximately 4.0% in 2018, and was flat in 2019 (on an annualized basis).</p> <p>- The Annual Caps embedded an estimated average annual growth rate of approximately 3.6% for the next three years ending 31 December 2022, taking into account further increase in wages of approximately 8.5% per annum.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(7)	Bogasari	Indogrosir	Bogasari sells finished goods to Indogrosir.	12.1	14.7	17.3	<p>- The transacted amount under this continuing connected transaction decreased by approximately 5.5% in 2018 as compared to 2017 and further decreased by approximately 20.9% in 2019 (on an annualized basis) as compared to 2018. Such decreases are mainly attributable to drop in sales as a result of higher prices for flour related products charged by Indogrosir because of limited price promotion activities.</p> <p>- The Annual Caps embedded an estimated average annual growth rate of approximately 27.0%, for the next three years ending 31 December 2022, taking into account the planned resumption of price promotion activities and the estimated increase in sales volume of products sourced from Bogasari and the expected continued innovation of products in particular packaging of products supplied by Bogasari.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(8)	Bogasari	Shanghai Resources	Bogasari sells pasta products to Shanghai Resources.	0.5	0.6	0.6	<p>- This continuing connected transaction only commenced in 2018 and the transacted amount has been minimal due to fierce competition in the PRC.</p> <p>- The expected transaction amount under this continuing connected transaction is determined, based on, among other things, the introduction of new packaging for Bogasari products and the introduction of competitive strategies such as price promotion activities.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(9)	Bogasari	Indomaret	Bogasari sells finished goods to Indomaret.	9.4	12.1	15.7	<p>– The transacted amount under this continuing connected transaction increased by approximately 253.8% in 2018 as compared to 2017 and further increased by approximately 28.3% in 2019 (on an annualized basis) as compared to 2018. Such increases are mainly attributable to additional outlets operated by Indomaret. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>– Indomaret currently operates approximately 16,900 outlets/mini stores in Indonesia as compared to 12,000 outlets/mini stores in 2016 (representing a CAGR of 12.1% from 2016), and it intends to achieve an annual growth of approximately 5%.</p> <p>– The Annual Caps embedded an estimated annual growth rate of approximately 27.1%, 29.3% and 29.9% on the annual transaction amount for 2020, 2021 and 2022 respectively, with an average annual growth rate of approximately 28.8%, taking into account the estimated increase in sales volume, the expected increase in the price of flour, and the expected increase in number of Indomaret's outlets.</p> <p>– A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(10)	Indofood and its subsidiaries	PTIS	Indofood and its subsidiaries sell by-product to PTIS.	11.7	13.8	15.6	<p>- This is a continuing connected transaction that commenced since 2018 and there is no transaction amount for 2017.</p> <p>- The transacted amount under this continuing connected transaction decreased by approximately 56.9% in 2019 (on an annualized basis) as compared to 2018. Such decrease is mainly attributable to PTIS temporary ceasing its production of certain recipes of animal feeds which would require the use of flour by-products as one of the ingredients.</p> <p>- The Annual Caps have been determined taking into account the projected corn price reverting to its previous levels such that PTIS will resume its production of the aforementioned recipes involving flour by-products as one of the ingredients in 2020 and hence an increase in demand for flour by-products in 2020, 2021 and 2022.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(11)	Indofood and its subsidiaries	Interflour Group	Eastern Pearl Flour Mills provides manufacturing services to Indofood and its subsidiaries. Indofood and its subsidiaries sell finished goods to Interflour Vietnam Ltd.	7.8	10.9	14.0	<p>- The transaction with Eastern Pearl Flour Mills only commenced in October 2018 and there is no transaction amount for 2017.</p> <p>- The transaction with Interflour Vietnam Ltd. only commenced in August 2019 and there is no transaction amount for 2017 and 2018.</p> <p>- The transacted amount increased to approximately US\$1.7 million in 2019 (on an annualized basis) from approximately US\$0.6 million in 2018. Such increase is mainly attributable to the Indofood Group's expansion plans in east Indonesia and the fact that the transactions with Eastern Pearl Flour Mills and Interflour Vietnam Ltd. only commenced in October 2018 and in August 2019, respectively.</p> <p>- The Annual Caps have been determined taking into account the planned capacity increase in Eastern Pearl Flour Mills by approximately 250.0% over the next three years ending 31 December 2022, further increase in wages in Indonesia over the next three years, and the expected growth of Indofood's Flour Business.</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

## LETTER FROM THE BOARD

Transaction No.	Parties to the agreement/ arrangement		Nature of agreement/ arrangement	Proposed Annual Cap (US\$ millions)			Principal Factors Considered in Determining Annual Caps
	Name of entity of the Indofood Group	Name of connected party		For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	
(12)	Indofood and its subsidiaries	IDP	Indofood and its subsidiaries sell finished goods to IDP.	0.5	0.6	0.7	<p>- This is a continuing connected transaction that commenced since 2018 and there is no transaction amount for 2017. The unutilized amount under the Annual Cap for the year ending 31 December 2019 is mainly attributable to factors including the weakened global economy, the uncertainties pursuant to the trade war between the United States of America and China, and the political environment in Indonesia in 2017 and 2018, when the election of the Governor of Jakarta and the presidential elections took place.</p> <p>- The transacted amount under this continuing connected transaction was minimal in 2018 and increased to approximately US\$0.3 million in 2019 (on an annualized basis).</p> <p>- The Annual Caps have been determined based on the business expansion plans and growth in e-commerce sector. Indonesia is expecting a rapid growth in the e-commerce business sector due to the shift in the purchasing habits of the younger generation. In addition, the Annual Caps for 2020, 2021 and 2022 of US\$0.4 million, US\$0.5 million and US\$0.6 million respectively (excluding the 25% buffer) embedded a steady projected growth, when compared to the transaction amount of US\$0.3 million in 2019 (on an annualized basis).</p> <p>- A 25% buffer has been adopted to accommodate for uncertainty in the fluctuation of the US\$/Rupiah exchange rate and for possible unexpected increases in transaction amounts due to one-off and/or occasional events; approximately half of the buffer can be attributed to uncertainty in the fluctuation of the US\$/Rupiah exchange rate (of which, during the period from 1 January 2016 to the Latest Practicable Date had been volatile with a maximum appreciation of around 6.8% and a maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price)) and the remainder of the buffer can be attributed to possible unexpected increases in transaction amounts due to one-off and/or occasional events.</p>

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL PROCEDURES

The Company and Indofood have in place procedures to ensure that Annual Caps in respect of continuing connected transactions are not exceeded.

A specific continuing connected transactions team has been established within Indofood, which is responsible for the identification and reporting of the Indofood Group's continuing connected transactions.

In accordance with, and as part of, the reporting processes implemented by the Company and Indofood, each month, Indofood's business units are required to submit a report to Indofood's continuing connected transactions team, setting out the transaction amounts and an indication of whether transaction volumes are expected to remain within the approved disclosed annual caps. If any monthly report indicates that an annual cap is anticipated to be exceeded, Indofood's continuing connected transactions team collects further information from the relevant business unit, including estimated transaction values, and Indofood's continuing connected transactions team will calculate and establish revised caps and obtain approval from the board of directors of Indofood and from the board of directors of the Company for such revised annual caps. Indofood's continuing connected transactions team collates such monthly reports from all business units and compiles the data to prepare a monthly certification report, which is provided to the Company and on which the legal team and finance team of the Company provides comments to Indofood's continuing connected transactions team.

The finance team of the Company calculates the projected transaction values for the relevant year and if the Company anticipates that an annual cap might be exceeded, the Company initiates discussions with Indofood's continuing connected transactions team to establish revised annual caps as necessary. The Company is implementing changes to its continuing connected transactions monitoring process to ensure that annual caps are not exceeded by:

- (i) mandating that Indofood's continuing connected transactions team provides to the Company a draft of each monthly certification report approximately two weeks of the end of the month to which such monthly certification report relates and that the finalised monthly certification report must be signed by the designated members of the board of directors of Indofood and counter-signed by the President Director and CEO of Indofood approximately three weeks of the end of the month to which such monthly certification report relates; and
- (ii) ensuring that instances where existing Annual Caps are forecast to be exceeded are dealt with more promptly, after having been identified, pursuant to the detailed monitoring process described above. This principally involves more rigorous enforcement of the monitoring process on Indofood's continuing connected transactions team and, in turn, the business units, and ensuring that Indofood's continuing connected transactions team promptly complies with, and procures compliance by Indofood business units with, obligations under the monitoring processes.

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## LETTER FROM THE BOARD

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### PRICING POLICIES AND REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The consideration under the continuing connected transactions referred to in Table A to Table D 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;

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## LETTER FROM THE BOARD

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- (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 Sales & Marketing Department of the Indofood Group maintains a database of the quoted selling prices of such other suppliers for products or services supplied in similar geographic locations. The information in the database is obtained from publicly available information. 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 Central Procurement & Engineering Division of 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. The Central Procurement & Engineering Division of the Indofood Group maintains a list of qualified suppliers for the supply of each type of goods and/or services. 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 and ranks suppliers against these criteria by engaging in dialogue, and meeting with, relevant suppliers. Reviews of qualified suppliers are carried out on a quarterly basis. Suppliers failing to meet the set criteria, particularly in relation to goods and service quality or by reason of identified product defects, may be removed from the list of qualified suppliers. Most qualified suppliers are independent;

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## LETTER FROM THE BOARD

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- (b) review and evaluate each quotation to check if it meets the respective specification and scope of products or services specified in the particular bid invitation for each product or service, as determined by the Central Procurement & Engineering Division of the Indofood Group based on an analysis of the Indofood Group's procurement needs and the historical procurement transactions with independent third parties for products or services of the same type and quality; and
- (c) negotiate with the suppliers to get the best price and service, with priority being given to the lowest price offered, but taking into account, principally, the Indofood Group's historical purchase price for such products or services, the qualified supplier's track record including product and service quality, payment terms, production or supply capacity and timeliness of supply and delivery.

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 Central Procurement & Engineering Division of 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, by reference to factors including raw material costs and transaction volume. When conducting a price and cost analysis prior to every purchase of goods or services, the Central Procurement & Engineering Division of 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.

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## LETTER FROM THE BOARD

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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" above, 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 auditor 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 this circular, 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 maximization of the production capacities of the distribution network and the increase of worldwide brand awareness of the Indofood Group.

### LISTING RULES IMPLICATIONS

When the Annual Caps in respect of each of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions for each of 2020, 2021 and 2022 are aggregated, one or more of the applicable percentage ratios exceeds 5%. Therefore, each of those transactions and their respective aggregated Annual Caps for each of 2020, 2021 and 2022 are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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Under Rule 14A.36 of the Listing Rules, any shareholder of the Company with a material interest in the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and/or the 2020-2022 Flour Business Transactions is required to abstain from voting at the SGM on the resolutions approving the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions. Accordingly, Salerni International Limited, First Pacific Investments Limited and First Pacific Investments (B.V.I.) Limited, all being associates of Mr. Salim and which as at the Latest Practicable Date held in aggregate 1,925,474,957 shares of the Company, representing approximately 44.32% of the issued share capital of the Company, will abstain from voting at the SGM on such resolutions. In addition, Mr. Benny Santoso, who is deemed to have a material interest in the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions, and who as at the Latest Practicable Date held in aggregate 446,535 shares of the Company (representing approximately 0.01% of the issued share capital of the Company), will abstain from voting at the SGM on such resolutions.

### **DIRECTORS' VIEWS**

The Directors (excluding those on the Independent Board Committee whose view is contained in the letter from the Independent Board Committee) are of the view that the terms of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions, including their respective Annual Caps, are fair and reasonable, and the entering into of 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.

The Company confirms that Mr. Salim, who has a material interest in the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions, has abstained from voting at the relevant Board meeting in respect of those transactions. In addition, the Company confirms that Mr. Benny Santoso, a non-executive Director, the President Commissioner of NIC and the Commissioner of FFI, is deemed to have a material interest in the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions, and has abstained from voting at the relevant Board meeting in respect of those transactions. The Company confirms that none of the other Directors has a material interest in the continuing connected transactions described in this circular.

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## LETTER FROM THE BOARD

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### INFORMATION IN RESPECT OF THE COUNTERPARTIES TO THE CONTINUING CONNECTED TRANSACTIONS

In respect of the counterparties to the 2020-2022 Noodles Business Transactions referred to in Table A above:

- (i) Each of Dufil, Pinehill and the SAWAZ Group, being counterparties to the 2020-2022 Noodles Business Transactions, are engaged in the manufacturing of instant noodles; in the case of Dufil, in Nigeria; in the case of Pinehill, in the Middle East; and in the case of SAWAZ Group, in the Middle East and Africa;
- (ii) the SAWAZ Group is a joint venture group of companies between the Salim Group and its partner in the Middle East and Africa, and is used as an investment or holding company in the joint venture companies established/to be established by the SAWAZ Group and the local partners in the respective countries;
- (iii) the principal businesses of Indomobil and its subsidiaries are brand holding sole agent, vehicle sales distribution, after sales service, vehicle ownership financing, spare part distribution under the “IndoParts” brand, vehicle assembly, automotive parts/component manufacturing and other related support services. Indomobil manages brands including Audi, Foton, Hino, Kalmar, Manitou, Nissan, Renault, Renault Trucks, Suzuki, Volkswagen, Volvo, Volvo Trucks and Volvo Construction Equipment in Indonesia;
- (iv) PTIS is an export-oriented integrated livestock agribusiness company established since 1987 and located in Pulau Bulan – Batam; and
- (v) Shanghai Resources is a trading company wholly-owned by Mr. Salim and companies controlled by him. It has trading experience and a consumer network in the PRC, particularly in respect of the trading of margarine and shortening.

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## LETTER FROM THE BOARD

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In respect of the counterparties to the 2020-2022 Plantations Business Transactions referred to in Table B above:

- (i) STP is engaged in pumping services. RMK provides various services, including the lease of heavy equipment, the sale of building materials, office space, trucks and tug boats rental, transportation services and road reinforcement services, in accordance with the requirements of its counterparties;
- (ii) the IGER Group comprises IGER, LPI, MSA, MCP, SBN, GS, ASP and MPI, which are joint venture plantation companies between SIMP and the Salim Group;
- (iii) IGER is an investment holding company and a joint venture plantation company between SIMP and the Salim Group;
- (iv) LPI is an Indonesian incorporated limited liability company in the business of plantation development in Indonesia. It currently owns approximately 28,500 hectares of plantation land located in South Sumatra and Central Java, of which approximately 13,800 hectares is cultivated with sugar cane, and a sugar cane production factory;
- (v) NIC is the biggest reputable modern bakery in Indonesia with ten factories throughout Indonesia;
- (vi) CSNJ is engaged in the business of transportation and trading in Indonesia;
- (vii) the principal business of Indomaret is the operation of minimarkets in Indonesia. It is one of the Indonesia's largest minimarket operators by number of stores and it has a subsidiary, PT Indosato Jaya Makmur;
- (viii) the principal business of Indogrosir is wholesaling of customer goods to modern and traditional retailers and end users;
- (ix) MSA is a limited liability company incorporated in Indonesia which owns approximately 13,873 hectares of plantation land located in South Sumatra, Indonesia;
- (x) MCP is a holding company which invests in plantation companies;
- (xi) SBN is a limited liability company incorporated in Indonesia which owns approximately 8,946 hectares of plantation land located in South Sumatra, Indonesia;
- (xii) ASP is a limited liability company incorporated in Indonesia which owns approximately 16,500 hectares of plantation land located in Central Kalimantan, Indonesia;
- (xiii) GS is a limited liability company incorporated in Indonesia which owns approximately 10,545 hectares of plantation land located in East Kalimantan, Indonesia;
- (xiv) MPI is a limited liability company incorporated in Indonesia which owns approximately 15,865 hectares of plantation land located in East Kalimantan, Indonesia; and
- (xv) please see above for information on Indomobil and its subsidiaries, Shanghai Resources and PTIS.

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## LETTER FROM THE BOARD

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In respect of the counterparties to the 2020-2022 Distribution Business Transactions referred to in Table C above:

- (i) LS is engaged in the business of operating supermarkets in certain major cities in Indonesia;
- (ii) FFI 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 540 restaurant outlets;
- (iii) SDM is a human resources management service company that has experience in handling industrial relation and manpower cases;
- (iv) Indolife is engaged in life insurance and pension funds businesses and has 97 branches in Indonesia;
- (v) IDP is engaged in e-commerce solutions for grocery shopping for stalls, shops and kiosks;
- (vi) ING is a cosmetic distribution company that distributes cosmetics products, including among others, Natasha, Aishaderm and Bio Karpela; and
- (vii) please see above for information on Indomobil and its subsidiaries, Indomaret, Indogrosir and LPI.

In respect of the counterparties to the 2020-2022 Flour Business Transactions referred to in Table D above:

- (i) 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;
- (ii) PTM is a human resources management service company that specializes in building maintenance system including hygiene care service, parks and general service;
- (iii) The Interflour Group comprises, among others, Eastern Pearl Flour Mills and Interflour Vietnam Ltd.;
- (iv) Eastern Pearl Flour Mills is engaged in milling wheat into flour;
- (v) Interflour Vietnam Ltd. is engaged in milling wheat into flour especially for Vietnamese taste such as the Vietnamese bread, baguettes and noodles; and
- (vi) please see above for information on NIC, FFI, Indomobil and its subsidiaries, SDM, Indogrosir, Shanghai Resources, Indomaret, PTIS and IDP.

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## LETTER FROM THE BOARD

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### INFORMATION IN RELATION TO THE COMPANY AND INDOFOOD

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

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 into consumer food and beverage products and their distribution to the market. It is based and listed in Indonesia; its Consumer Branded Products subsidiary ICBP and agribusiness subsidiaries SIMP and PT Perusahaan Perkebunan London Sumatra Indonesia Tbk are also listed in Indonesia. A subsidiary, Indofood Agri Resources Ltd. (“**IndoAgri**”) is listed in Singapore, and an agribusiness associate, Roxas Holdings, Inc. (“**RHI**”) is listed in the Philippines. Through its four complementary Strategic Business groups, Indofood manufactures and distributes a wide range of food and beverage products: Consumer Branded Products (noodles, dairy, snack foods, food seasonings, nutrition and special foods, and beverages), Bogasari (wheat flour and pasta), Agribusinesses (seed breeding, oil palm cultivation and milling, branded cooking oils, margarine and shortenings, cultivation and processing of rubber, sugar cane and other crops) 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.

IAP and PDU are the operating subsidiaries of Indofood for the Indofood Group’s Distribution Business.

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

IAK is an operating subsidiary of Indofood for the Indofood Group’s Packaging Business.

### SGM

There is set out on pages 190 to 192 of this circular a notice convening the SGM to be held at Pheasant-Stork Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Monday, 16 December 2019 at 3:00 p.m., at which ordinary resolutions will be proposed for the approval by the Independent Shareholders of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the office of the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

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## LETTER FROM THE BOARD

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Consistent with the Listing Rule requirements and good corporate governance practices, the chairman of the SGM will demand a poll for the resolutions set out in the SGM Notice.

In accordance with Bye-law 79, every resolution put to the vote at a shareholders' meeting shall be decided on a show of hands unless a poll is required by the Listing Rules or (before or on the declaration of the results of the show of hands) is demanded by:

- (i) the chairman; or
- (ii) at least three (3) members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or by proxy and representing not less than one-tenth (1/10th) of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or by proxy and holding shares of the Company conferring a right to vote at the meeting being shares of the Company on which an aggregate sum has been paid up equal to not less than one-tenth (1/10th) of the total sum paid up on all shares of the Company conferring that right.

In accordance with Bye-law 80, if a poll is required or demanded in the manner aforesaid, it shall be taken (subject as provided in Bye-law 81) in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not more than thirty (30) days from the date of the meeting or adjourned meeting at which the poll was demanded, as the chairman directs. The result of the poll shall be deemed to be the resolutions of the meeting at which the poll was demanded.

For the purpose of determining the identity of the Company's shareholders who are entitled to attend and vote at the SGM, the Company's register of members will be closed from Friday, 13 December 2019 to Monday, 16 December 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 12 December 2019.

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## LETTER FROM THE BOARD

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### THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all Independent Non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps and as to how the Independent Shareholders should vote at the SGM. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### RECOMMENDATION IN RESPECT OF VOTING

The Directors (other than those on the Independent Board Committee) consider that the terms of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Company, and that the terms are fair and reasonable and in the interests of the Company's shareholders as a whole. Accordingly, the Directors (other than those on the Independent Board Committee) recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the SGM to approve the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps.

Your attention is drawn to (i) the letter of recommendation from the Independent Board Committee in respect of the terms of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps which is set out on pages 81 to 82 of this circular; and (ii) the letter of advice from the Independent Financial Adviser in respect of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps which is set out on pages 83 to 177 of this circular. The Independent Board Committee, having taken into account of the advice and recommendation of the Independent Financial Adviser, considers that the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Indofood Group and the Company and in the interests of the Company and its shareholders as a whole, and that the terms are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee and the Independent Financial Adviser recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the SGM to approve the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**First Pacific Company Limited**  
**Manuel V. Pangilinan**  
*Managing Director and Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation in respect of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps and as to how the Independent Shareholders should vote at the SGM.*



### 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)

29 November 2019

*To the Independent Shareholders of First Pacific Company Limited*

Dear Sir or Madam,

#### CONTINUING CONNECTED TRANSACTIONS

**(1) RENEWAL OF INDOFOOD GROUP'S NOODLES BUSINESS TRANSACTIONS  
AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022;  
NEW CONTINUING CONNECTED TRANSACTION  
AND ANNUAL CAPS FOR 2020, 2021 AND 2022 RELATING TO  
INDOFOOD GROUP'S NOODLES BUSINESS**

**(2) RENEWAL OF INDOFOOD GROUP'S PLANTATIONS BUSINESS TRANSACTIONS  
AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

**(3) RENEWAL OF INDOFOOD GROUP'S DISTRIBUTION BUSINESS  
TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

**(4) RENEWAL OF INDOFOOD GROUP'S FLOUR BUSINESS TRANSACTIONS  
AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

We refer to the circular of the Company dated 29 November 2019 (the "**Circular**"), of which this letter forms part. Unless specified otherwise, capitalized terms used herein shall have the same meanings as those defined in the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We have been appointed as members of the Independent Board Committee to consider the terms of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the same. The Independent Financial Adviser, Somerley Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 8 to 80 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps and as to how the Independent Shareholders should vote at the SGM, as set out on pages 83 to 177 of the Circular.

Having considered the principal factors and reasons considered by and the advice of the Independent Financial Adviser as set out in its letter of advice, we concur with the views of the Independent Financial Adviser and consider that the terms of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Indofood Group and the Company and in the interests of the Company and its shareholders as a whole, and that the terms are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed in the SGM to approve the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions and their respective Annual Caps.

Yours faithfully,

**First Pacific Company Limited**  
**Independent Board Committee**

**Prof. Edward K.Y. Chen, GBS, CBE, JP**  
*Independent Non-executive Director*

**Margaret Leung Ko May Yee, SBS, JP**  
*Independent Non-executive Director*

**Philip Fan Yan Hok**  
*Independent Non-executive Director*

**Madeleine Lee Suh Shin**  
*Independent Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions, and the 2020-2022 Flour Business Transactions, including their respective Annual Caps, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY CAPITAL LIMITED**

20th Floor

China Building

29 Queen's Road Central

Hong Kong

29 November 2019

*To: The Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **RENEWAL OF INDOFOOD GROUP'S NOODLES BUSINESS TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

### **RENEWAL OF INDOFOOD GROUP'S PLANTATIONS BUSINESS TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

### **RENEWAL OF INDOFOOD GROUP'S DISTRIBUTION BUSINESS TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

### **RENEWAL OF INDOFOOD GROUP'S FLOUR BUSINESS TRANSACTIONS AND NEW ANNUAL CAPS FOR 2020, 2021 AND 2022**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions, and the 2020-2022 Flour Business Transactions, including their respective Annual Caps. Details of the aforesaid transactions are set out in the letter from the Board contained in the circular of the Company (the "**Circular**") to its shareholders dated 29 November 2019, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee comprising all the Independent Non-executive Directors, namely Prof. Edward K.Y. Chen, *GBS, CBE, JP*, Mrs. Margaret Leung Ko May Yee, *SBS, JP*, Mr. Philip Fan Yan Hok and Ms. Madeleine Lee Suh Shin, has been established to make a recommendation to the Independent Shareholders as to whether the terms of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions, including their respective Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and its shareholders as a whole. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, Indofood, Mr. Salim or their respective core connected persons or associates and, accordingly, are considered eligible to give independent advice on the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions, including their respective Annual Caps. In the two years prior to this appointment, we did not have other engagement with the Company or its associates except for having been the independent financial adviser to the Company relating to (i) the duration of service contract between Maynilad Water Services, Inc., and VA Tech Wabag - D.M. Consunji, Inc. Joint Venture, details of which were set out in the Company's announcement of 20 March 2018; (ii) the proposed spin-off of the Group's hospital business in the Philippines which eventually had not proceed, details of which were set out in the Company's announcements dated 12 September 2019 and 14 October 2019; and (iii) the duration of the service contract between Maynilad Water Services, Inc., and a consortium between D.M. Consunji, Inc. and JFE Engineering Corporation, details of which were set out in the Company's announcement dated 10 October 2019. We do not consider our past engagements as independent financial adviser gives rise to any conflict for Somerley Capital Limited to act as the independent financial adviser of the transactions contemplated under the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Indofood, Mr. Salim or their respective core connected persons or associates.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (the "**Management**"), which we have assumed in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held. We have reviewed information on the Company, including but not limited to, the circular of the Company dated 30 December 2016 in relation to, among other things, the continuing connected transactions as regards the 2017-2019 Noodles Business Transactions, the 2017-2019 Plantations Business Transactions and the 2017-2019 Distribution Business Transactions and the Company's announcements dated 10 November 2016, 6 September 2017, 6 June 2018, 19 October 2018 and 27 August 2019 in relation to the Flour Business Transactions, and other information contained in the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Group and have assumed in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held at the time they were made and will remain, in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held, up to the date of the SGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions, including their respective Annual Caps, we have taken into account the following principal factors and reasons:

#### 1. Noodles Business

##### *1.1 Background of and reasons for the 2020-2022 Noodles Transactions*

The 2020-2022 Noodles Business Transactions comprise transactions involving (i) supplies and services provided by the Indofood Group/ICBP to DUFIL (the “**DUFIL Transactions**”), Pinehill (the “**Pinehill Transactions**”) and the SAWAZ Group (the “**SAWAZ Transactions**”); (ii) supplies and services provided by Indomobil and its subsidiaries (the “**Indomobil Transactions**”) to Indofood Group; (iii) the selling of scrap products by Indofood Group to PTIS (the “**PTIS Transaction**”); and (iv) the sale of noodle products to Shanghai Resources (the “**SR Noodles Transaction**”) in relation to the Noodles Business.

As disclosed in the letter from the Board of the Circular, Indofood is a 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 Perusahaan Perkebunan 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the Company's annual report and Indofood's annual report for the year ended 31 December 2018 (the "**Indofood AR 2018**"), Indofood is the market leader in Indonesia and one of the world's largest instant noodle producers. One of the objective of Indofood is to continue to accelerate growth organically and through expansion of business categories. As advised by the management of Indofood, Indofood has long been developing the Noodles Business outside Indonesia by granting trademark license to noodles manufacturing and marketing companies which are based in targeted markets and conducting business through their local business partners. Developing a market with the expertise of the local noodles manufacturing and marketing companies is a key success factor to the Indofood Group, given that such companies cover the necessary set-up costs, production and distribution costs and the required advertising and promotion expenses to develop the new markets where the Indofood Group can then provide its services.

We are advised that DUFIL and Pinehill have been principally engaged in the manufacture, sale and distribution of instant noodle products in Nigeria (for DUFIL) and in Saudi Arabia (for Pinehill) respectively for more than 24 years, while the SAWAZ Group is a group of joint venture companies established or to be established between the Salim Group and its business partner, which have been or are intended to be principally engaged in manufacture, sale and distribution of instant noodle products in certain countries in the Middle East and Africa. As advised by the management of Indofood, the SAWAZ Group commenced commercial operations in countries in the Middle East and Africa including Syria, Egypt, Sudan, Turkey, Kenya, Morocco, Ethiopia, Serbia, Iraq, Yemen and Algeria. The management of Indofood confirmed that the demand for the instant noodle products in the existing markets in the Middle East and Africa met their expectation. We also understand from the management of Indofood that Indofood authorised Pinehill to resell the ingredients and noodle seasoning acquired from the Indofood Group to the SAWAZ Group.

We were also advised that as at the Latest Practicable Date, save for the instant noodle products under the trademark of "Indomie", DUFIL and the SAWAZ Group have not conducted any manufacture, sale and distribution of instant noodle products under other trademarks; while the instant noodle products under the trademarks of "Indomie", "Supermi" and "Pop Mie" are manufactured by Pinehill.

We were also advised that the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions have been revenue contributors to the Group. As advised by the Management, the Group's aggregate annual revenue derived from the existing noodles business transactions for the year ended 31 December 2018 amounted to about US\$143.3 million. Furthermore, the management of Indofood confirmed that the gross profit margins of the Indofood Group generated from the existing noodles business transactions for the year ended 31 December 2018 and the nine months ended 30 September 2019 under the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions were higher than those derived from the Indofood Group's own sales of its instant noodle products manufactured in the domestic market of Indonesia for the relevant periods.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of the Indofood Group's expansion strategies and the geographical coverage of each of DUFIL, Pinehill and the SAWAZ Group as discussed above, we consider the entering into of the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions are in line with Indofood Group's strategies. In particular, given that (i) developing Noodles Business outside Indonesia through trademark licensing arrangement could enable the Indofood Group to save the substantial fixed costs to setup manufacturing plants in other countries, and the production and distribution costs, advertising and promotion expenses to open the new markets, and avoid the country risk and currency risk to establish operations in the developing countries such as in the Middle East and Africa; and (ii) as mentioned above, the SAWAZ Group has been continuously expanding its operations in new countries to further enlarge its geographical coverage, we concur with the Directors' view that the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions will continue to allow the Indofood Group to maintain and enhance geographical expansion and presence of its Noodles Business.

As for the SR Noodles Transaction, we understand Shanghai Resources is a trading company wholly owned by Mr. Salim and has trading experience and consumer network in the People's Republic of China (the "PRC"). Shanghai Resources has established strong trading relationships with various partners in the PRC particularly in respect of trading of cooking oil products since 2011. As stated above, the management of Indofood has advised that it has been the long business strategy for Indofood to continue to expand into new markets. The management of Indofood further stated that it has long seen the PRC as a potential market with approximately 1.4 billion in population. As such, coupled with Shanghai Resources' existing wealth of trading experiences and relationships in the region, it is expected that through the SR Noodles Transaction with Shanghai Resources, the Indofood Group is able to make a solid penetration into the PRC noodle market.

In view of the Indofood Group's expansion strategies, we also concur with the Directors' view that the SR Noodles Transaction will continue to allow the Indofood Group to further enhance its geographical expansion and presence of its Noodles Business.

### ***1.2 Principal terms of the Noodles Agreements***

As stated in the letter from the Board of the Circular, the framework agreements in respect of the existing 2017-2019 Noodles Business Transactions will expire on 31 December 2019. Subject to Independent Shareholders' approval having been obtained in respect of the 2020-2022 Noodles Business Transactions, the framework agreements in respect of the existing 2017-2019 Noodles Business Transactions will be automatically renewed from 1 January 2020 for a term of three years, expiring on 31 December 2022 on the same terms and Indofood will enter into new framework agreement regarding the SR Noodles Transaction (subject to automatic renewal clause) with a three year period commencing 1 January 2020 and expiring on 31 December 2022 (collectively, the "**Noodles Agreements**").

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The arrangements under the Noodles Agreements will commence on 1 January 2020 and will have a duration of three years, expiring on 31 December 2022. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the relevant framework agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, each of the framework agreements will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier by any party to the relevant framework agreement by giving not less than one month's notice to the other party(ies) in accordance with the terms of the relevant framework agreement.

Details of the 2020-2022 Noodles Business Transactions (the “**Noodles Transactions**”) are set out as follows:

- (1) Provision of licensing of trademark related to instant noodles in Nigeria, technical services related to instant noodles and supplies seasoning products and packaging materials for instant noodles to the relevant companies of DUFIL (the “**DUFIL Transactions**”);
- (2) Provision of licensing of trademark related to instant noodles in certain countries in the Middle East, technical services related to instant noodles and supplies seasoning products and packaging materials for instant noodles to the relevant companies of Pinehill (the “**Pinehill Transactions**”);
- (3) Provision of licensing of trademark related to instant noodles in certain countries in the Middle East and Africa, technical services related to instant noodles and supplies seasoning products and packaging materials for instant noodles to the relevant companies of SAWAZ Group (the “**SAWAZ Group Transactions**”);
- (4) Sale and rental of cars and sales of spare parts and provision of car services by the Indomobil Group (the “**Indomobil Transactions**”);
- (5) Sale of scrap products to PTIS (the “**PTIS Transaction**”); and
- (6) Sale of noodles products to Shanghai Resources (the “**SR Noodles Transaction**”)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(a) *The DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions*

The Noodles Agreements as regard each of the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions govern mainly four categories of transactions including (1) the licensing of trademark for the use of the related trademark owned by Indofood; (2) the provision of technical assistance services in connection with instant noodle manufacturing operations; (3) the sale and supply of ingredients and noodle seasonings for instant noodle products; and (4) the sale and supply of packaging materials for the production of instant noodle products, by the Indofood Group/ICBP.

As provided by Indofood, each category of transactions of similar nature contemplated under the Noodles Agreements as regard the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions, will consist of similar terms and conditions and on normal commercial terms, and in particular, the price/fee to be charged by the Indofood Group/ICBP will be determined by and mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions. We are confirmed by the management of Indofood that the Indofood Group has not conducted transactions similar to the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions with independent third parties. Nevertheless, we are advised by the management of Indofood that all of the transactions under the Noodles Agreements in relation to the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions, are comparable to the respective intra-group transactions between the Indofood Group's ingredient/packaging division and the Indofood Group's instant noodle division (the "**Intra-Group Customer**"). In this regard, we have requested Indofood to provide us with, among other things, the relevant records of similar transactions among the intra-group companies, and we note that the principal terms of the Noodles Agreements as regard the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions, have been similar to those made available by the Indofood Group to the Intra-Group Customer for similar products/services. As observed from the records, the selling prices charged on each of DUFIL, Pinehill and the SAWAZ Group have been no more favourable than those available to the Intra-Group Customer for a similar product/service.

As discussed in section headed "1.1 Background of and reasons for the 2020-2022 Noodles Transactions" above, Indofood has long been developing the Noodles Business outside Indonesia by granting trademark license to noodle manufacturing and marketing companies which are based in targeted markets. Each of the DUFIL Transactions, the Pinehill Transactions and SAWAZ Transactions, as a whole, is to facilitate DUFIL, Pinehill and the SAWAZ Group respectively to manufacture instant noodle products under relevant brands of the Indofood Group and eventually achieve the distribution of Indofood's branded instant noodles in various target markets. In the absence of similar transactions between Indofood Group and independent third parties, we consider a comparison between the gross profit margins of Indofood Group generated from the existing noodles business transactions with DUFIL, Pinehill and the SAWAZ Group with those derived from the Indofood Group's own sales of its instant noodle products it manufactures for the domestic market of Indonesia, is meaningful and justifiable for the assessment on the fairness and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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reasonableness of the gross profit margins of Indofood Group earned under the existing noodles business transactions. As we are given to understand that the gross profit margin of the Indofood Group generated from each of the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions has been no less favourable than those derived from the Indofood Group's own sales of its instant noodle products it manufactured in the domestic market of Indonesia and the benefits having been and to be brought about pursuant to the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions as discussed under section headed "1.1 Background of and reasons for the 2020-2022 Noodles Transactions" above, we considered the terms under each of the DUFIL Transactions, the Pinehill Transactions and the SAWAZ Transactions are not unreasonable.

*(b) The Indomobil Transactions*

The Noodles Agreements as regard the Indomobil Transactions govern the sale and rental of cars, the provision of car services and the sale of car spare parts by Indomobil and its subsidiaries (the "**Indomobil Group**") to the Indofood Group.

As stated in the Noodles Agreements, transactions contemplated thereunder as regard the Indomobil Transactions will consist of terms and conditions similar to those offered to the Indofood Group by independent third parties and on normal commercial terms, and in particular, the price/fee to be paid by the Indofood Group will be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which is expected to be no less favourable to the Indofood Group than those available from other independent third parties. In this regard, we have requested Indofood to provide us with, among other things, the relevant quotations and/or invoices of similar transactions with independent third parties, and we note that the principal terms of the Noodles Agreements as regard the Indomobil Transactions have been similar to those made available by independent third parties to Indofood Group. As observed from the quotations/invoices provided, the prices paid by Indofood Group to the Indomobil Group have been no less favourable than the price provided in the invoices from independent suppliers in Indonesia for a similar product/service.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(c) *The PTIS Transaction*

PTIS is an export-oriented integrated livestock agribusiness company established since 1987 and located in Pulau Bulan – Batam. The Noodles Agreements as regard the PTIS Transaction govern the selling of predominately noodle scrap products by the Indofood Group to PTIS.

As stated in the Noodles Agreements, transactions contemplated thereunder as regard the PTIS Transaction will consist of terms and conditions similar to those offered by the Indofood Group to independent third parties and on normal commercial terms, and in particular, the price/fee to be paid by PTIS to the Indofood Group will be determined by and mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which is expected to be no less favourable to the Indofood Group than those paid by other independent third parties. In this regard, we have requested Indofood to provide us with, among other things, the relevant quotations and invoices of similar transactions with independent third parties, and we note that the price paid by PTIS was no less favourable to the Indofood Group than the price provided in the invoices to independent third parties for a similar product/service. We understand there were only minimal transactions in 2018.

(d) *SR Noodles Transaction*

As mentioned above, Shanghai Resources is a trading company wholly owned by Mr. Salim and has trading experience and a consumer network in the PRC and the Noodles Agreements as regard the SR Noodles Transaction govern the selling of noodle products by the Indofood Group to Shanghai Resources.

As disclosed in the letter from the Board of the Circular and as mentioned above, the SR Noodles Transaction is a new transaction commencing from 2020. As such there has not been any transaction between the period 1 January 2017 to nine months ended 30 September 2019. Against such backdrop, we have requested, and Indofood has provided the intended price schedule offered to Shanghai Resources and invoices issued by the Indofood Group to independent third-party customers in Vietnam and Cambodia. Based on our review, we note that the terms and conditions offered to Shanghai Resources is similar and no more favourable to Shanghai Resources than those offered to independent customers in Vietnam and Cambodia.

The management of Indofood has also confirmed that transactions contemplated under the Noodles Agreements as regard the SR Noodles Transaction will consist of terms and conditions similar to those offered by the Indofood Group to independent third parties and on normal commercial terms, and in particular, the price/fee to be paid by Shanghai Resources to the Indofood Group will be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which is expected to be no less favourable to the Indofood Group than those paid by other independent third parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.3 Annual Caps for the 2020-2022 Noodles Business Transactions

(a) *The DUFIL Transactions*

Set out below are details of the actual transacted amount of the DUFIL Transactions for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019 respectively; and details of the Annual Caps for each of the three financial years ending 31 December 2022:

	For the year ended		Nine months Ended	For the year ending		
	31 December	31 December	30 September	31 December		
	2017	2018	2019	2020	2021	2022
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
<b>DUFIL Transactions</b>						
Actual transaction amounts	34.0	44.7	26.5			
Proposed Annual Caps				70.2	77.2	82.5

As illustrated in the table above, it is noted that the transacted amounts increased by around 31.5% in 2018 as compared to that in 2017. We were advised by management of Indofood that the increase in transacted amounts in 2018 was mainly due to the increase in sales of food ingredients by DUFIL during 2018. The transacted amount in 2019 (on an annualised basis) was around US\$35.3 million, represented a decrease of around 20.6% as compared to that in 2018. Such decrease was mainly due to lower sales from the food ingredient segment because DUFIL has begun to produce certain products, such as seasoning oil, by itself rather than purchased from the Indofood Group, coupled with the fluctuations in the Nigerian Dollar.

We noted that an upward trend is generally expected by the management of Indofood for the Annual Caps for the DUFIL Transactions for the three years ending 31 December 2022. We have discussed with the management of Indofood regarding the underlying reasons and noted that they have principally taken into account, among other things, (a) DUFIL’s projection of increase in annual demand for its products, and in particular, for packaging materials for instant noodles due to short-term production limitations in DUFIL’s own production facilities and the adoption of a general buffer of 25% (the “**Noodles Buffer**”) to allow flexibility in accommodating uncertainty in the fluctuation of exchange rate of US\$ to Indonesian Rupiah (“**Rp**”) in view of the volatility in spot exchange rate of Rp to US\$; and (b) the uncertainty in the growth rate of demand for instant noodle products in the existing targeted market(s) or new market(s) (if applicable) and/or possible unexpected increase in transaction amount due to one-off and/or occasional event(s).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that,

- (1) we note that there has been a consistent growth on Indofood's geographical segment revenue from Nigeria from around US\$33.4 million in 2016 to around US\$34.1 million in 2017, and further to approximately US\$49.0 million in 2018 which represented around 43.6% growth over 2017;
- (2) according to the statistics released in October 2019 by The National Bureau of Statistics, Nigeria, the annual real gross domestic product (“GDP”) in 2018 grew by 1.91%, which was more than double the growth rate recorded in 2017 which stood at 0.82%. In the first quarter of 2019, real GDP grew by 2.10% indicating a faster pace of expansion on a quarterly basis. Household consumption expenditure, in the third quarter and fourth quarter grew at 7.90% and 9.26% in real terms, year on year, but slowed to 1.41% during the first quarter of 2019. In the first quarter of 2019, national disposable income also grew 6.58% which was higher than 0.21% recorded in the first quarter of 2018. The economic indicators of Nigeria as mentioned above are generally positive;
- (3) we understand the Annual Caps for 2020, 2021 and 2022 embedded an estimated annual growth of around 59.2%, 10.0% and 6.8% over the transaction amount for 2019 (on an annualised basis), 2020 and 2021 respectively, with an average annual growth rate of around 25.3%. Having considered the generally positive trend of the economy of Nigeria as mentioned in (2) above and the historical growth in transacted amount of around 31.5% in 2018, we consider an average annual growth in transaction amount of around 25.3% for the coming three years not excessive; and
- (4) the historical fluctuation of exchange rate of Rp to US\$ during the period from 1 January 2016 to the Latest Practicable Date had been volatile as we observed that, Rp experienced maximum appreciation of around 6.8% and maximum depreciation of around 9.8% against US\$ during the period (assuming the spot rate on 1 January 2016 being the base price) (the “**FX Volatility**”). We also observed that Rp has led a general trend of appreciation against US\$ and further noted that, there was recent appreciation of Rp to US\$ by around 8% when compared the spot exchange rates of Rp to US\$ since 31 October 2018. Based on the aforesaid, we consider that around half of the buffer amount for catering the FX Volatility is not excessive. In addition, whilst the DUFIL Transactions involve mainly sales of products and provision of services which are income-generating to the Indofood Group, the Noodles Buffer, apart from providing provision for the FX Volatility, will also provide flexibility for the Indofood Group to enjoy additional income as a result of possible unexpected increases in transaction amount due to one-off and/or occasional event(s), and mitigate the burden of the Group to bear additional time and costs to conduct revision of the relevant annual caps (the “**Benefits for having the Noodles Buffer (Sales)**”),

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we consider the Annual Caps for the DUFIL Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(b) Pinehill Transactions*

Set out below are details of the actual transacted amount of the Pinehill Transactions for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019 respectively; and details of the Annual Caps for each of the three financial years ending 31 December 2022:

	For the year ended 31 December		Nine months ended 30 September	For the year ending 31 December		
	2017	2018	2019	2020	2021	2022
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
<b>PINEHILL</b>						
<b>Transactions</b>						
Actual transaction amounts	58.1	59.7	60.2			
Proposed Annual Caps				151.1	158.1	169.9

As illustrated above, it is noted that the transacted amounts in 2018 was comparable with that of 2017. The transacted amount in 2019 (on an annualised basis) of around US\$80.3 million, represented a moderate increase of around 34.5% as compared to that in 2018. Based on our understanding from the management of Indofood, this increase was mainly due to the increase in sales volume of food ingredient as a result of higher local demand.

We noted that an upward trend is generally expected by the management of Indofood for the Annual Caps for the Pinehill Transactions for the three years ending 31 December 2022. We have discussed with the management of Indofood regarding the underlying reasons and noted that they have principally taken into account, among other things Pinehill's projection of increase in annual demand for ingredients and flexible packaging due to higher consumption rate which is linked to the increase in population. We have researched and noted that population in the Middle Eastern countries, for instance, Saudi Arabia, has shown consistent historical growth; based on the demographic survey issued by the Saudi Arabia General Authority for Statistics, the total population in Saudi Arabia increased by approximately 2.6% and 2.5% in 2017 and 2018 as compared to the respective prior year. It also reported that GDP of Saudi Arabia has substantially improved from around -0.7% in 2017 to around 2.2% in 2018.

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We understand that the Annual Caps for 2020, 2021 and 2022 embedded an estimated annual growth of around 50.6%, 4.6% and 7.4% respectively, with an average annual growth rate of around 20.9% and the Noodles Buffer. Having considered the population and economic growth in Saudi Arabia as mentioned above and correspondingly projected increase in demand for ingredients, noodle seasoning and packaging from Pinehill and the latest historical growth in transaction amount by around 34.5% in 2019 (on an annualised basis), the average annual increase expected for the three years ending 2022 of approximately 20.9% is considered fair when compared against the average growth rate of approximately 18.6% based on actual transacted amounts for 2017, 2018 and the annualized transaction amount for 2019. As also discussed in detail in sub-section namely “1.3 Annual Caps for the 2020-2022 Noodles Business Transactions – (a) The DUFIL Transactions” above, the Noodles Buffer is considered acceptable and commercially justifiable taking into account the Benefits for having the Noodles Buffer (Sales).

Having considered the above, we are of the view that the Annual Caps for the Pinehill Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

(c) *SAWAZ Transactions*

Set out below are details of the actual transacted amount of the SAWAZ Transactions for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019 respectively; and details of the Annual Caps for each of the three financial years ending 31 December 2022:

	For the year ended 31 December		Nine months ended 30 September	For the year ending 31 December		
	2017	2018	2019	2020	2021	2022
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
<b>SAWAZ Transactions</b>						
Actual transaction amounts	31.0	38.9	44.5			
Proposed Annual Caps				129.9	159.3	201.1

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated above, it is noted that the transacted amounts between 2017 and 2018 increased by around 25.5%. The transacted amount in 2019 (on an annualised basis) of around US\$59.3 million, represented a further increase of around 52.4% as compared to that in 2018. Such changes were mainly attributable to the positive performance from the food ingredient sales in key markets, namely Egypt and Syria.

We noted that an upward trend is generally expected by the management of Indofood for the Annual Caps for the SAWAZ Transactions for the three years ending 31 December 2022. We understand that the Annual Caps for 2020, 2021 and 2022 embedded an estimated annual growth of around 75.2%, 22.6% and 26.3% respectively. We have discussed with the management of Indofood regarding the underlying reasons for the estimation of Annual Caps and noted that they have principally taken into account, among other things, the SAWAZ Group's projection of increase in sales volume of instant noodle products to be manufactured and sold by the SAWAZ Group in their markets and in particular, continued increase in demand from key markets in Egypt and Turkey for each of the three years ending 31 December 2022, as well as the expected commencement of business in a new market, namely Iraq in 2020 and the Noodles Buffer.

Having considered that (i) it was disclosed in the Indofood's annual reports for each of the two financial year ended 31 December 2017 and 2018 that, Indofood's geographical segment revenue from Egypt, being one of the high growth markets of SAWAZ Group, has grown from minimal amount in 2016 by around 128.6% to approximately US\$3.2 million in 2017 and further by around 337.6% to approximately US\$14.0 million in 2018; and (ii) the average growth rate of approximately 39.0% based on actual transacted amounts for 2017, 2018 and the annualised transaction amount for 2019, the projected increase in demand for ingredients, noodle seasoning and packaging, the average annual increase expected for the three years ending 2022 of approximately 41.4% is considered reasonable. Also as discussed in detail in sub-section namely "1.3 Annual Caps for the 2020-2022 Noodles Business Transactions – (a) The DUFIL Transactions" above and given the Benefits for having the Noodles Buffer (Sales), the Noodles Buffer is considered acceptable and justifiable taking into account the SAWAZ Transactions being income-generating to the Indofood Group.

Having considered the above, we are of the view that the Annual Caps for the SAWAZ Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

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(d) *Indomobil Transactions*

Set out below are details of the actual transacted amount of the Indomobil Transactions for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019 respectively; and details of the Annual Caps for each of the three financial years ending 31 December 2022:

	For the year ended		Nine months ended 30	For the year ending		
	31 December		September	31 December		
	2017	2018	2019	2020	2021	2022
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
<b>Indomobil Transactions</b>						
Actual transaction amounts	1.2	5.2	6.9			
Proposed Annual Caps				2.2	2.7	3.2

As shown above, the transacted amounts under the Indomobil Transactions increased by approximately 333.3% in 2018 as compared to 2017 and further increased by approximately 76.9% in 2019 (on an annualised basis). As provided by the management of Indofood, the increases in 2018 and 2019 was due to the increase in demand for vehicles to facilitate the distribution network of instant noodles as a whole as part of a Noodles Business vehicles replacement program.

We noted that the Company expects a decline in Annual Cap for the Indomobil Transactions for 2020 and the Annual Caps for the two years ending 31 December 2022 to reflect a moderate embedded annual growth rate of approximately 22.2% and 18.2% respectively. We have discussed with the management of Indofood regarding the underlying reasons for the Annual Caps and noted that the aforementioned vehicles replacement program is near completion as of 2019 and as such, the projected transaction value for 2020 is expected to substantially decrease as compared to the transaction amount in 2019. We also note that the embedded annual growth of the Annual Caps for 2021 and 2022 has also taken into account the expected growth in the Noodles Business in the coming three years which is expected to correspondingly increase the demand for the Indomobil Transactions, and the possible increase in the leasing rate or purchase price of vehicles and spare parts or services in view of the average monthly inflation rate of Indonesia between January 2015 and September 2019 of around 4.0% based on information published by Statistics Indonesia (Badan Pusat Statistik) (“BPS”). Similar to the other Noodles Transactions, a Noodles Buffer of 25% was also adopted after taking into account (a) the uncertainty in the exchange rate of US\$ to Rp; and (b) the uncertainty in the growth rate of the Indofood Group’s demand for the services provided by the Indomobil Group.

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We consider the buffer of 25% is acceptable taking into account the FX Volatility, apart from providing provision for the FX Volatility, will also provide flexibility for Indofood Group to mitigate the chance of operational disruptions and the burden of the Group to bear additional time and costs to conduct revision of the relevant annual cap(s) as a result of possible unexpected increases in transaction amount due to one-off and/or occasional event(s), which are considered commercially justifiable.

Having considered the above, we are of the view that the Annual Caps for the Indomobil Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

(e) *PTIS Transaction*

Set out below are details of the transacted amount of the PTIS Transaction for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019 respectively; and details of the Annual Caps for each of the three financial years ending 31 December 2022:

	For the year ended 31 December		Nine months ended 30 September	For the year ending 31 December		
	2017	2018	2019	2020	2021	2022
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
<b>PTIS Transaction</b>						
Actual transaction amounts	–	0.0	0.0			
Proposed Annual Caps				0.5	0.6	0.6

As advised by the management of Indofood, the PTIS Transaction commenced on 6 June 2018 although the transacted amounts under the PTIS Transaction were minimal. We understand that there were only minimal transactions during the nine months period ended 30 September 2019 because of a temporary cease in production of certain recipes of animal feeds by PTIS which would require noodles by-products as one of the ingredients.

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We noted that the Company expects a general increase in Annual Caps for the PTIS Transaction for the three years ending 31 December 2022. We have discussed with the management of Indofood regarding the underlying reasons and was brought to the understanding that PTIS is expecting to resume production of the aforementioned recipes involving noodles by-products as one of the ingredients in 2020. Furthermore, we understand that in estimating the transaction value under the PTIS Transaction, Indofood has mainly considered PTIS's projected demand for noodles by-products as an ingredient to produce certain recipes of animal feed.

As with most of the other Noodles Transactions, the Noodles Buffer is incorporated and is considered acceptable and commercially justifiable taking into account the PTIS Transaction being income generating and the Benefits for having the Noodles Buffer (Sales) as discussed in detail in the section headed "1.3 Annual Caps for the 2020-2022 Noodles Business Transactions – (a) The DUFIL Transactions" above.

As such, having considered the above, we are of the view that the Annual Caps for the PTIS Transaction are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(f) SR Noodles Transaction*

Set out below are details of the Annual Caps for each of the three financial years ending 31 December 2022:

	<b>For the year ending</b>		
	<b>31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
<b>SR Noodles Transaction</b>			
Proposed Annual Caps	6.4	11.3	16.9

As mentioned above, the SR Noodles Transaction is a new transaction commencing from 1 January 2020.

We noted that an upward trend is generally expected by the management of Indofood for the Annual Caps and we have discussed with the management of Indofood regarding the underlying reasons and noted that they have principally taken into account, among other things, Indofood's projection of demand for noodles in the PRC.

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We consider the Annual Caps for 2020-2022 to be fair and reasonable because:

- (i) we note from the annual report for the year ended 31 December 2018 published of Tingyi (Cayman Islands) Holdings Corp. (Stock Code: 322) (“**Tingyi**”), which is the manufacturer, producer and distributor of the instant noodle brand under “Master Kong” in the PRC, that market shares of Master Kong in terms of sales volume and sales amount were 43.3% and 48.2% respectively, implying a total sales value of the PRC instant noodle market of over RMB49 billion (approximately US\$6.9 billion) as of end of 2018. The proposed transaction values for 2020 to 2022, representing merely around 0.07%, 0.13% and 0.19% respectively of such estimated total sales value for the PRC instant noodle market, are therefore, considered not excessive;
- (ii) we further understand from Indofood management that sales of noodles are linked with urbanisation and demand is especially promising for countries experiencing rapid development and urbanisation hence the projected change in diet habits and the need for food associated with relatively easier preparation time. In this respect, we have researched and noted from the statistics published by National Bureau of Statistics of China, that the compounded growth rate of the gross national product is approximately 10.3% from 2010 to 2018 and the total urban population grew from approximately 661 million in 2010 to approximately 831.4 million in 2018, representing a compounded annual increase of approximately 2.7% whereas the total rural population declined from approximately 671.1 million in 2010 to approximately 564.0 million in 2018; and
- (iii) as with most of the other Noodles Transactions, the Noodles Buffer is considered acceptable and commercially justifiable taking into account the SR Noodles Transaction being income generating and the Benefits for having the Noodles Buffer (Sales) as discussed in detail in the section headed “1.3 Annual Caps for the 2020-2022 Noodles Business Transactions – (a) The DUFIL Transactions” above.

(g) *Conclusion*

Having considered that, in particular, the reasons and factors discussed above in relation to our assessment of the Annual Caps for each of the 2020-2022 Noodles Business Transactions, we are of the view that the proposed Annual Caps for the 2020-2022 Noodles Business Transactions are set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of both the Company and the Independent Shareholders as a whole.

**2. Plantations Business**

*2.1 Background of and reasons for the 2020-2022 Plantations Transactions*

Indofood Group conducts vertically integrated agribusinesses in Indonesia through Indofood Agri Resources Ltd., a listed company in Singapore, SIMP and PT Perusahaan Perkebunan London Sumatra Indonesia Tbk, listed companies in Indonesia, and their respective subsidiaries (the “**Indofood Plantations Group**”). The Indofood Plantations Group, a major producer of edible oils and fats in Indonesia with widely accepted and recognised brands, is principally engaged in research and development, oil palm seed breeding, cultivation of oil palm plantations, production and refining of crude palm oil, cultivation of rubber and sugar canes plantations and marketing and selling of other related products, management and cultivation of industrial timber plantations, including agroforestry. The Indofood Plantations Group also manages and cultivates cocoa and tea plantations, and processing, marketing and selling of related agricultural products.

As advised by the management of Indofood, the Indofood Plantations Group is based in Indonesia and had planted area of 298,416 hectares as of 30 September 2019, of which 248,494 hectares and 16,747 hectares are planted with oil palm and rubber, respectively, while the remainder of 33,175 hectares are planted with other crops such as sugar cane, cocoa, tea and timber.

As also advised by the management of Indofood, the Indofood Group will continue to focus on (i) replanting of older palms in North Sumatra and Riau; (ii) expansion of milling facilities with the completion of a 45MT FFB/hour mill in Kalimantan; and (iii) for downstream operation is to maintain competitive pricing strategy for Bimoli and expand Delima as 2nd brand to capture potential more affordable segment and adding direct distribution network through e-commerce platforms.

We were advised that the 2020-2022 Plantations Business Transactions are essential and imperative to the integrated supply chains of crude palm oil and sugar within the Indofood Group, aiming to (1) vertically integrate the production of edible oils and fats and consumer branded products business of the Indofood Group and the oil palm and sugar cane plantations business of the Indofood Plantations Group; (2) ensure necessary equipment and facilities are in place for the cultivation of oil palm plantations; (3) secure reliable sources of high-quality crude palm oil attributable to the self-developed high quality seeds to fulfil the internal demand from the Indofood Group; (4) facilitate the transportation of fresh fruit bunches (“**FFB**”) and crude palm oil to the production facilities of the Indofood Plantations Group; (5) utilise the technology developed by the research facilities of the Indofood Plantations Group to improve the yield rate and quality of crude palm oil; and (6) enhance productivity and achieve cost efficiency.

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### 2.2 *Principal terms of the Plantations Agreements*

As stated in the letter from the Board of the Circular, the framework agreements in respect of the existing 2017-2019 Plantations Business Transactions will expire on 31 December 2019. Subject to Independent Shareholders' approval having been obtained in respect of the 2020-2022 Plantations Business Transactions, the framework agreements in respect of the transactions numbered (1) to (12) in the letter from the Board of the Circular will be automatically renewed from 1 January 2020 for a term of three years, expiring on 31 December 2022, on the same terms as those of the existing agreements collectively, the "**Plantations Agreements**").

The Plantations Agreements described below will commence on 1 January 2020 and will have a duration of three years, expiring on 31 December 2022. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the relevant framework agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, each of the framework agreements will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier by any party to the relevant framework agreement.

Details of the 2020-2022 Plantations Business Transactions (the "**Plantations Transactions**") are set out as follows:

- (1) Provision of pumping and loading services by STP to SIMP and its subsidiaries (the "**SIMP Group**") (the "**Pumping Services**");
- (2) Provision of various services by RMK to the SIMP Group (the "**RMK Services**");
- (3) Transactions between the IGER Group and the SIMP Group (the "**IGER Transactions**");
- (4) Sale and rental of cars and sales of spare parts and provision of car services by the Indomobil Group to the Indofood Group (the "**Indomobil (Plantations) Transaction**");
- (5) Sale of palm oil and its derivative products by SIMP to Shanghai Resources (the "**Palm Oil Transaction**");
- (6) Sale of margarine by SIMP to NIC (the "**Margarine Transaction**");
- (7) Grant of exclusive license of "Indosugar" trademark by Indofood to LPI (the "**Sugar Transaction**");
- (8) Sale of packaging materials by IAK to LPI (the "**Packaging Material Transaction**");

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- (9) Rental of infrastructure by the SIMP Group from CSNJ (the “**Infrastructure Transactions**”);
  - (10) Sale of finished goods by the SIMP Group to Indomaret (the “**Indomaret Finished Goods Transactions**”);
  - (11) Sale of finished goods by the SIMP Group to Indogrosir (the “**Indogrosir Finished Goods Transactions**”); and
  - (12) Sale of palm oil and its derivative products by Indofood to PTIS (the “**PTIS Palm Oil Transaction**”).
- (a) *Pumping Services*

STP is 100% owned by companies controlled by Mr. Salim and is engaged in pumping services at Dumai port in Indonesia, where the bulk storage tanks of SIMP are located. As advised by the management of Indofood, the SIMP Group have been utilising the pumping facilities owned by STP to infuse or extract crude palm oil from its storage tanks for more than 18 years.

We have reviewed the Plantations Agreements and we note the fee payable under the Pumping Services are mutually agreed between the relevant parties from time to time based on prevailing market conditions which are expected to be no less favourable to the SIMP Group than to independent third parties. We are further advised by the management of Indofood that the Pumping Services have comparable transactions with independent third parties. In this regard, we have requested Indofood to provide us with, among other things, samples of similar transactions or quotes with or provided by independent third parties. We note that the principal terms, i.e. service scope of the existing agreements as regard the Pumping Services have been similar to those made available to the Indofood Group by independent third parties. As observed from the quotations of similar transactions provided, the rates charged by STP have been no less favourable than those offered by independent service suppliers. We are further advised by the management of Indofood that similar approach and basis will be used in setting the fee of the Pumping Services.

We are advised by the management of Indofood that the services provided by STP have been satisfactory. In the view that (i) SIMP has been utilising STP’s pumping services for over 18 years, quality of which have been considered satisfactory by SIMP; (ii) any changes might lead to operation interruption and extra expenses in terms of cost and time; and (iii) as discussed in the paragraph above, the service rates charged by STP will be no less favourable when compared to the rates to be charged by independent third parties, we concur with the view of the Directors that the entering into of the Plantations Agreements as regard the Pumping Services is beneficial to the Group.

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(b) *RMK Services*

SIMP is a subsidiary of Indofood Group which is principally engaged in oil palm plantations, crude palm oil milling, production of branded cooking oil and other related products.

RMK is 100% owned by companies controlled by Mr. Salim which provides various services, including the lease of office space, trucks and tug boats rental and transportation services, in accordance with the requirements of its counterparties.

Services provided by RMK to the SIMP Group under the RMK Services include (i) leasing of office space; (ii) leasing of trucks and tug boats; and (iii) provision of transportation services.

As advised by the management of Indofood, the SIMP Group has been leasing certain office units from RMK and using RMK's various services such as transportation services since 2007. The SIMP Group and RMK have a long business relationship.

We have reviewed the Plantations Agreements as regard the RMK Services, and we note the rates/rental fees are mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which is expected to be no less favourable to the SIMP Group than to independent third parties. We are further advised by the management of Indofood that all the RMK Services have comparable transactions with independent third parties. In this regard, we have requested Indofood to provide us with, among other things, the relevant records as regard similar office space and building rental and transportation services provided by independent third parties in, and we note that the rates/rental fee/fees under the existing agreements as regard the RMK Services have been no less favourable than those made available to the SIMP Group by independent third parties.

We are advised by the management of Indofood that RMK has always provided their transportation services on time and effectively. As such, we concur with the management of Indofood that the services provided by RMK have been satisfactory. In the view that (i) the SIMP Group and RMK have a long business relationship and RMK's services have been considered satisfactory; (ii) any changes might lead to operation interruption and extra expenses in terms of cost and time; and (iii) as discussed in the paragraph above, the rates/fees to be charged by RMK shall be no less favourable when compared to the rates/fees charged by independent third parties, we concur with the view of the Directors that the entering into of the Plantations Agreements as regard the RMK Services is beneficial to the Group.

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(c) *IGER Transactions*

The IGER Group is comprised of joint venture plantation companies formed between SIMP and the Salim Group, and is principally engaged in, among other things, the oil palm and sugar plantations business.

Transactions under the IGER Transactions include (i) the provision of operational services which include mainly research services relating to land and soil feasibility study, drainage and water management and fertilizer recommendation by the SIMP Group to the IGER Group; (ii) selling of seedlings and fertilizer products by the SIMP Group to the IGER Group; (iii) leasing of office space by the SIMP Group to the IGER Group; and (iv) purchase of palm oil and derivative products from the IGER Group by the SIMP Group. As advised by the management of Indofood, historically, the SIMP Group would acquire over 90% of the annual production volume of the IGER Group's palm oil and its derivative products for further processing.

The aforesaid transactions as regard the provision of operational services and selling of seedlings and fertilizer products, would broaden the income base and enhance revenue of the SIMP Group. The aforesaid office space currently owned by the SIMP Group have been leased to the IGER Group since 2010. Since we are advised by the management of Indofood that the SIMP Group has no intention to dispose of or occupy any of the aforesaid office spaces for its own use, the leasing of the office spaces to the IGER Group would therefore allow the SIMP Group to continue to utilise excess resources and generate additional income. On the other hand, the purchase of palm oil and derivative products from the IGER Group would allow the SIMP Group to continue to secure a stable supply of quality crude palm oil and its derivative products for further processing.

We have reviewed the Plantations Agreements and we note that the rates/fees shall be mutually agreed between the relevant contracting parties from time to time and based on prevailing market conditions which is expected to be no less favourable to the SIMP Group than to independent third parties. We are further advised by the management of Indofood that, save for the operational services provided by the SIMP Group, all other IGER Transactions have comparable transactions with independent third parties. In this regard, we have requested Indofood to provide us with, among other things, the relevant transaction records and quotations of similar transactions provided by independent third parties, and we note that the principal terms under the existing agreements as regard the IGER Transactions (save for the operational services provided by the SIMP Group) have been no less favourable to the SIMP Group than to independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the rates/fees under the IGER Transactions.

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We are confirmed by the management of Indofood that the Indofood Group has not conducted transactions in respect of the operational services with independent third parties. We are also advised by the management of Indofood that the operational services provided to the IGER Group (e.g. chemical related analysis services) is only available from either Indofood Group or its competitors, however, since the performance of the operational services will involve the collection of much operational data and information, it would not be sensible for the IGER Group, being a subsidiary of the SIMP Group, to engage the SIMP Group's competitors to provide such services. Nevertheless, we are advised by the management of Indofood that the Indofood Group has provided similar operational services to intra-group companies. In this regard, we have requested Indofood to provide us with, among other things, the relevant transaction records of similar intragroup transactions, and we note that the principal terms of the operational services as regard the IGER Transactions, are similar to those made available to the intra-group companies. As observed from the transaction records, the service fees for operational services under the IGER Transactions have been no more favourable than those available to the intra-group companies for similar service. Given that (i) as discussed above, the Indofood Group is likely to be the only suitable service provider to the IGER Group; and (ii) the service fees charged on operational services under the IGER Transactions have been no more favourable than those available to the intra-group companies for similar services, we considered that the terms under the operational services of the IGER Transactions are not unreasonable.

In view of, as discussed in paragraphs above, (i) the benefits having been and to be brought about pursuant to the IGER Transactions; and (ii) that the rates/fees involved shall be no less favourable to the SIMP Group than to independent third parties, we concur with the view of the Directors that the entering into of the Plantations Agreements as regard the IGER Transactions is beneficial to the Group.

*(d) Indomobil (Plantations) Transactions*

Indomobil is an associate of Mr. Salim. As disclosed in the letter from the Board in the Circular, Indomobil Group is a brand holding sole agent, vehicle sales distribution, after sales service, vehicle ownership financing, spare part distribution under the "IndoParts" brand, vehicle assembly, automotive parts/component manufacturing and other related support services.

As provided by the management of Indofood, services provided by the Indomobil Group under the Indomobil (Plantations) Transactions include (i) sales/renting of cars; (ii) provision of car services; and (iii) sales of spare parts, to Indofood Group. Indofood Group has been using the aforesaid services provide by the Indomobil Group since 1993.

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We have reviewed the Plantations Agreements as regard the Indomobil (Plantations) Transactions, and we note that the price/rent/fees are determined by and mutually agreed between the relevant contracting parties from time to time and based on prevailing market conditions which are expected to be no less favourable to the Indofood Group than to independent third parties. We are further advised by the management of Indofood that all the Indomobil (Plantations) Transactions have comparable transactions with independent third parties. In this regard, we have requested Indofood to provide us with, among other things, the relevant records/quotations for purchases of vehicles/car services provided to independent third parties, and we note that the principal terms under the existing agreements as regard the Indomobil (Plantations) Transactions have been no less favourable than those made available to the Indofood Group from independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future price/rent/fees under the Indomobil (Plantations) Transactions.

We are advised by the management of Indofood that the services provided by the Indomobil Group have been satisfactory. In the view that (i) the Indofood Group and the Indomobil Group have a long business relationship and the Indomobil Group's services have been considered satisfactory; (ii) any changes might lead to operation interruption and extra expenses in terms of cost and time; and (iii) as discussed in the paragraph above, the price/rent/rates to be charged by the Indomobil Group shall be no less favourable when compared to the price/rent/rates charged by independent third parties, we concur with the view of the Directors that the entering into of the Plantations Agreement in relating to Indomobil (Plantations) Transactions is beneficial to the Group.

*(e) Palm Oil Transaction*

Shanghai Resources is a trading company wholly-owned by Mr. Salim and companies controlled by him. It has trading experience and consumer network in the PRC, particularly in respect of the trading of shortening.

We understand from the management of Indofood that palm oil and its derivate products are the main ingredients for production of cooking oil, margarine and shortening. SIMP has conducted the Palm Oil Transaction with Shanghai Resources for over 8 years.

We have reviewed the Plantations Agreement and we note the selling prices of palm oil and its derivative products shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no less favourable to the SIMP than to independent third parties. We are advised by the management of Indofood that there are comparable products in the market. In such regard, we have reviewed the relevant recent transaction records of sale of palm oil to independent third parties by SIMP, and we note that the selling prices of palm oil and its derivative products to Shanghai Resources have been no more favourable than those offered by SIMP to independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the selling prices of palm oil and its derivative products of the Palm Oil Transaction. Considering that the selling prices will be

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determined with reference to the prevailing market conditions and on terms no more favourable to Shanghai Resources than to independent third parties, we are of the view that the pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

In view of, as discussed in paragraphs above, (i) the Palm Oil Transaction has been revenue contributors to the Group; and (ii) that the selling prices offered to Shanghai Resources shall be no more favourable than those offered by the SIMP Group to independent third parties, we concur with the view of the Directors that the entering into of the Plantations Agreement as regard the Palm Oil Transaction is beneficial to the Group.

(f) *Margarine Transaction*

As stated in the letter from the Board in the Circular, NIC is owned as to 40% by companies controlled by Mr. Salim and is the biggest reputable modern bakery in Indonesia with ten factories throughout Indonesia. We are advised by the management of Indofood that SIMP is one of the bread margarine suppliers to NIC since 2013.

We have reviewed the Plantations Agreement as regard the Margarine Transaction, and we note that the selling prices of margarine shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no less favourable to SIMP than to independent third parties. We are advised by the management of Indofood that the Margarine Transaction has comparable transactions with independent third parties. In such regard, we have reviewed the relevant transaction records of sale of margarine to independent third parties. As observed from the invoices, the selling prices offered to NIC have been no more favourable than those offered to independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future selling prices of the Margarine Transaction such that, if applicable, the then prevailing selling prices of similar comparable transactions will be used as market references to the Margarine Transaction. Considering that the selling prices will be determined with reference to the prevailing market conditions and be no more favourable to NIC than to independent third parties, we consider that the pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

In view of, as discussed in paragraphs above, (i) the Margarine Transaction has been revenue contributors to the Group; and (ii) that the selling prices offered to NIC shall be no more favourable than those offered to independent third parties, we concur with the view of the Directors that the entering into of the Plantations Agreement as regard the Margarine Transaction is beneficial to the Group.

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(g) *Sugar Transaction*

LPI is an Indonesian incorporated limited liability company in the business of plantation development in Indonesia. It currently has approximately 13,023 hectares cultivated with sugarcane and also has sugar mills and refineries located in South Sumatra and Central Java.

Indofood has granted the exclusive license of “Indosugar” trademark related to sugar to LPI in Indonesia since 2011 and there has been no dispute between the parties in respect of such trademark arrangement. The management of Indofood considers that the granting of the exclusive license of “Indosugar” trademark to LPI has broadened the income base and enhanced revenue of the Indofood Group and therefore, is beneficial to the Group.

We have reviewed the Plantations Agreement as regard the Sugar Transaction, and we noted that the rate of royalty fee of 1% per annum of the total sales value of sugar shall be determined by and mutually agreed between the relevant contracting parties from time to time. In light of the fact that the granting of the “Indosugar” trademark to LPI is exclusive, we were given to understand by the Indofood Group management that there would be no independent third-party comparable transactions. Against such backdrop, we are advised by the management of Indofood that the Sugar Transaction has comparable transactions in respect of granting of the exclusive use of trademark of other products such as granting of the exclusive use of “Milkuat” trademark of dairy products by Indofood to its other subsidiary (the “**Milkuat Comparable**”). We consider the comparison of terms between that of the Sugar Transaction against that of the Milkuat Comparable to be fair mainly because: (i) there are no direct comparison available for the Sugar Transaction; and (ii) based on the discussion with the Indofood Group, the nature of the grant of the exclusive use of “Milkuat” trademark by Indofood to its other subsidiary, which is also an exclusive arrangement between Indofood Group and another party, is similar to that of the Sugar Transaction. In such regard, we have reviewed the relevant agreements of similar transactions provided by Indofood. As observed from the agreements, the rate of royalty fee charged on LPI was the same as those charged on comparable transactions. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future rate of royalty fee of the Sugar Transaction such that, if applicable, the then prevailing rate of similar comparable transactions will be used as market references to the Sugar Transaction. Considering that the rate of royalty fee will be determined with reference to the prevailing rate of similar comparable transactions and be no more favourable to LPI than to independent third parties or other subsidiary of the Indofood Group (if available), we consider that the pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

In view of, as discussed in paragraphs above, (i) the Sugar Transaction has been revenue contributors to the Group; and (ii) that the royalty rate involved shall be no more favourable to LPI than to independent third parties or other subsidiary to the Indofood Group (if available), we concur with the view of the Directors that the continuing of the Sugar Transaction is beneficial to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(h) *Packaging Material Transaction*

IAK is one of Indofood's operating subsidiaries for the Indofood Group's packaging business. We understand from Indofood's management that IAK has been one of the supplier of packaging materials to LPI since 2014.

We have reviewed the Plantations Agreement as regard the Packaging Material Transaction, and we note that the selling prices of the packaging shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no more favourable to LPI than to independent third parties. We are advised by the management of Indofood that the Packaging Material Transaction has comparable transactions with independent third parties and the selling prices of the packaging to have been no more favourable to LPI than those to independent suppliers. In such regard, we have reviewed the relevant purchase orders for packaging material supplied by Indofood to independent third parties. As observed from the purchase orders, selling prices of the packaging materials to LPI have been no less favourable to Indofood than those charged for the comparable transactions. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future selling prices of the Packaging Material Transaction such that, if applicable, the then prevailing selling prices of a similar comparable transactions will be used as market references to the Packaging Material Transaction. Considering that the selling prices will be determined with reference to the prevailing market conditions and be no more favourable to LPI than to independent third parties, we consider that the pricing basis for the Packaging Material Transaction is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

In view of, as discussed in paragraphs above, (i) the Packaging Material Transaction has been revenue contributors to the Group; and (ii) that the selling prices charged on LPI shall be no more favourable than those charged to independent third parties, we concur with the view of the Directors that the entering into of the Plantations Agreements as regard the Packaging Material Transaction is beneficial to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) *Infrastructure Transactions*

As disclosed in the letter from the Board in the Circular, CSNJ is an associate of Mr. Salim and is engaged in the business of transportation, leasing and trading in Indonesia. As provided by the management of Indofood, under the Infrastructure Transactions the SIMP Group may rent office building close to its plantation areas from CSNJ for its operational use.

Pursuant to the Plantations Agreements as regard the Infrastructure Transactions, the fees shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which is expected to be no less favourable to Indofood Group than to independent third parties. We are advised by the management of Indofood, the SIMP Group has rented office units near its plantation areas in Sumatera from CSNJ during the two years ended 31 December 2018 and the nine months ended 30 September 2019. According to the lease agreement provided by the SIMP Group, the term of the lease is from 1 January 2017 up to 31 December 2019 and the annual rental fee for renting such office units was around Rp383.3 million or Rp8,445 per square meter (“**Sqm**”). In this regard, we have requested the SIMP Group to provide two quotations from independent property agencies for similar properties in the region and is considered by the Indofood Group to be within reasonable proximity to the SIMP Group’s plantation area (“**CSNJ Comparable Properties**”). Based on the information provided, we noted that the annual rental fee per Sqm for the CSNJ Comparable Properties are in the range between around Rp19,875 to Rp33,333. We have discussed and understand from the Indofood Group management that the subject property being rented from CSNJ is considered to be preferable over other properties around the region because it is most convenient located next to its plantation area. Given that the rental being paid under the existing rental agreement with CSNJ is lower than the prevailing market price, as shown by the rent for the CSNJ Comparable Properties, we concur with the Directors’ view that the terms of the Infrastructure Transactions have been no less favourable to the SIMP Group than those available in the market. We further understand that in case the SIMP Group decides to continue to rent office unit(s) from CSNJ adjacent to its plantations area for operation purposes during 2020 to 2022, a similar approach and basis will be used to ensure that the rental fee and terms offered are fair, reasonable and comparable to those offered by independent third parties.

In view of, as discussed in paragraphs above, among other things, the entering into of the Plantations Agreements as regard the Infrastructure Transactions will not make the Indofood Group becoming obliged to enter into any transactions with CSNJ, but will only allow, among other things, CSNJ to be one of the available choice(s) for the Indofood Group’s selection, we concur with the view of the Directors that the entering into of the Plantations Agreements as regard the Infrastructure Transactions is beneficial to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(j) Indomaret Finished Goods Transactions*

Indomaret is an associate of Mr. Salim. The principal business of Indomaret is the operation of minimarkets in Indonesia. It is one of the Indonesia's largest minimarket operators by number of stores.

We are advised by the management of Indofood that the SIMP Group is one of the major suppliers of packaged cooking oil products and oil derivative products including margarine to Indomaret. The SIMP Group has been the supplier of Indomaret for over 20 years.

We have reviewed the Plantations Agreements as regard the Indomaret Finished Goods Transactions, and we note that the selling prices of the finished goods supplied by the SIMP Group shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no less favourable to the SIMP Group than to independent third parties. We are advised by the management of Indofood that the Indomaret Finished Goods Transactions have comparable transactions with independent third parties. In such regard, we have reviewed the relevant records of sale of the same finished goods to independent third parties by the SIMP Group. As observed, the selling prices of the same finished goods charged to Indomaret have been no less favourable to Indofood than those charged to independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future selling prices of the Indomaret Finished Goods Transactions such that, if applicable, the then prevailing selling prices of similar comparable transactions will be used as market references to the Indomaret Finished Goods Transactions. Having taken into account that the selling prices will be determined with reference to the prevailing market conditions and be no more favourable to Indomaret than to independent third parties, we consider that the aforesaid pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

In view of, as discussed in paragraphs above, (i) the Indomaret Finished Goods Transactions have been revenue contributors to the Group; and (ii) that the selling prices charged on Indomaret shall be no less favourable to the SIMP Group than those to independent third parties, we concur with the view of the Directors that the entering into of the Plantation Agreements as regard the Indomaret Finished Goods Transactions is beneficial to the Group.

*(k) Indogrosir Finished Goods Transactions*

Indogrosir is an associate of Mr. Salim. The principal business of Indogrosir is wholesaling of customer goods to modern and traditional retailers and end users.

We are advised by the management of Indofood that the SIMP Group is one of the major suppliers of packaged cooking oil products and oil derivative products including margarine to Indogrosir.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed the Plantations Agreements as regard the Indogrosir Finished Goods Transactions, and we note that the selling prices of the finished goods supplied by the SIMP Group shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no less favourable to the SIMP Group than to independent third parties. We are advised by the management of Indofood that the Indogrosir Finished Goods Transactions have comparable transactions with independent third parties. In such regard, we have reviewed the relevant records of sale of the same finished goods to independent third parties by the SIMP Group. As observed, the selling prices of the same finished goods to Indogrosir have been no less favourable to the SIMP Group than those to independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future selling prices under the Indogrosir Finished Goods Transactions such that, if applicable, the then prevailing selling prices of similar comparable transactions will be used as market references to the Indogrosir Finished Goods Transactions. Having taken into account that the selling prices will be determined with reference to the prevailing market conditions and be no more favourable to Indogrosir than to independent third parties, we consider that the aforesaid pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

In view of, as discussed in paragraphs above, (i) the Indogrosir Finished Goods Transactions have been revenue contributors to the Group; and (ii) that the selling prices to Indogrosir shall be no more favourable than those to independent third parties, we concur with the view of the Directors that the entering into of the Plantations Agreements as regard the Indogrosir Finished Goods Transactions are beneficial to the Group.

*(1) PTIS Palm Oil Transaction*

As disclosed in the letter from the Board of the Circular and provided by the management of Indofood, Indofood Group would, from time to time, sell crude palm oil products to PTIS. We understand that there were minimal transactions entered into between Indofood Group and PTIS since 6 June 2018, which was the date of commencement for the PTIS Palm Oil Transaction and up to 30 September 2019 as independent third parties were able to offer better terms, including volume and price to PTIS and there were temporary suspension in the production of certain recipes of animal feeds requiring the use of crude palm oil products. In light of the expected increase in production volume of crude palm oil products, the Indofood Group expects it is able to better compete with independent third parties for the business of PTIS and as such, this continuing connected transaction will be renewed for 2020-2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed the corresponding framework agreements as regard the PTIS Palm Oil Transaction, and we note that the selling prices of the products supplied by the Indofood Group shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no less favourable to the Indofood Group than to independent third parties. We are advised by the management of Indofood that the PTIS Palm Oil Transaction has comparable transactions with independent third parties. In such regard, we have reviewed the relevant invoices of sale of the same products to independent third parties by the Indofood Group. As observed from the invoices, the selling prices of the same products to PTIS were no less favourable to the Indofood Group than those to independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future selling prices under the PTIS Palm Oil Transaction such that, if applicable, the then prevailing selling prices of similar comparable transactions will be used as market references to the PTIS Palm Oil Transaction. Having taken into account that the selling prices will be determined with reference to the prevailing market conditions and be no more favourable to PTIS than to independent third parties, we consider that the pricing basis for the PTIS Palm Oil Transaction is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

In view of, as discussed in paragraphs above, (i) the PTIS Palm Oil Transaction have been revenue contributors to the Group; and (ii) that the selling prices to PTIS shall be no more favourable than those to independent third parties, we concur with the view of the Directors that the entering into of the Plantations Agreements as regard the PTIS Palm Oil Transaction is beneficial to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.3 Annual Caps for the 2020-2022 Plantations Business Transactions

Set out below are details of the actual transacted amount of each of the Plantations Transactions for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019, and details of the Annual Caps for each of the three financial years ending 31 December 2022:

	Actual transacted amount			Proposed Annual Caps		
	For the year ended 31		Nine months	For the year ending		
	December		ended 30	31 December		
	2017	2018	2019	2020	2021	2022
	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
Pumping Services	0.7	0.5	0.3	0.8	0.9	1.0
RMK Services	1.3	0.9	0.7	1.7	1.8	2.0
IGER Transactions	31.2	51.7	30.4	94.1	106	117.6
Indomobil (Plantations)						
Transaction	4.9	6.4	5.7	11.5	12.1	12.7
Palm Oil Transaction	28.5	35.2	23.1	65.5	79.0	98.6
Margarine Transaction	0.9	0.9	0.7	1.8	1.9	2.2
Sugar Transaction	0.4	0.4	0.4	0.7	0.7	0.7
Packaging Material						
Transaction	0.4	0.4	0.3	0.6	0.7	0.9
Infrastructure Transactions	0.0	0.0	0.0	0.1	0.1	0.1
Indomaret Finished Goods						
Transactions	50.7	52.9	43.3	94.4	119.8	152.2
Indogrosir Finished Goods						
Transactions	24.1	27.3	25.5	59.5	75.7	96.3
PTIS Palm Oil Transaction	-	0.2	0	0.4	0.5	0.6
<b>TOTAL</b>	<b>143.1</b>	<b>176.8</b>	<b>130.4</b>	<b>331.1</b>	<b>399.2</b>	<b>484.9</b>

#### (a) Pumping Services

We note the transacted amount for Pumping Services declined by approximately 28.6% between 2017 and 2018 and a further drop of approximately 20.0% in 2019 (on an annualised basis). We are advised by the management of Indofood that the declines in 2018 and 2019 was mainly due to unfavorable weather conditions leading to lower production.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the 2020-2022 Annual Caps, they have principally taken into account of (i) the projected increase in the production volume of crude palm oil in 2020 as a result of expected improvement in weather conditions foreseeable and the fact, as advised by the management of Indofood, its immature plantations from earlier years is reaching maturity in 2020 (the “**Maturing Plantations**”); (ii) the expected increase in unit prices of the pumping service provided by STP in line with the increase along with the domestic inflation in Indonesia; and (iii) a general buffer of 25% (the “**Plantations Buffer**”) to allow flexibility in accommodating (a) the uncertainty in the fluctuation of exchange rate of US\$ to Rp; and (b) possible unexpected increase in transaction amount due to one-off and/or occasional event(s).

We note that the 2020 Annual Cap (before applying the Plantation Buffer) represents an increase of around 20.0% over the average historical annual transacted amount of approximately US\$0.5 million under the Pumping Services for the three years ending 31 December 2019 (based on annualised figure for 2019), and the 2021 and 2022 Annual Cap (before applying the Plantation Buffer) represent annual growth rates of around 16.7% and 14.3% respectively as compared to that of the respective prior year. We concur with the Directors’ view that the respective Annual Caps are reasonable and in the interests of both the Company and the Independent Shareholders after taking into consideration the following:

- (i) Indofood has indicated in its annual report for year ended 31 December 2018 that in anticipation of an increase in consumption of palm-based products in Indonesia, its Surabaya refinery has increased another 300,000 tonnes of capacity per year (representing approximately 80% increase from the previous year) and completing the construction process of a new palm oil mill in Central Kalimantan which will start commissioning at end of 2019. In particular, as advised by the management of Indofood, the Maturing Plantations are expected to result in a substantial increase in the output volume of FFB, crude palm oil and palm kernel by around 20% in 2020 and on average 10% in 2021 and 2022. All of the aforesaid will lead to a corresponding increase in production of crude palm oil and in turn, demand for the pumping services from 2020;
- (ii) Based on the statistics published by BPS, the average monthly inflation rate of Indonesia between January 2015 and September 2019 was approximately 4.0%. The estimated increase in unit prices of the pumping services of around 5% per annum is generally in line with the domestic inflation;
- (iii) as stated in section “2.2 Principal terms of the Plantations Agreements – (a) Pumping Services” above, the pricing basis for the Pumping Services is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) the Plantations Buffer is considered acceptable taking into account that, as the Pumping Services are essential for the normal operations of the Indofood Group, the buffer, apart from providing provision for the FX Volatility, will also provide flexibility for the Indofood Group to minimise the chance of operation disruption and mitigate the burden of the Group to bear additional time and costs to conduct revision of the relevant annual cap(s) as a result of possible unexpected increase in transaction amount due to unexpected one-off and/or occasional increase in demand of the services (the “**Benefits for having the Plantations Buffer (Purchase)**”).

(b) *RMK Services*

We note the transacted amount for RMK Services slightly fluctuated around US\$1 million for each of 2017, 2018 and 2019 (on an annualised basis). The changes were, as advised by Indofood, mainly due to the moderate decline in FFB production and plantation as a result of the unfavourable weather conditions in 2018 and 2019 and hence, demand from the SIMP Group for infrastructures, trucks and tug boats were also lower.

We have discussed with the management of Indofood and understand they are expecting a general uptrend in annual caps for the RMK Services transactions mainly due to an expected increase in production volume of its existing plantation areas resulting in the increase in demand of the RMK services. We understand from the management of Indofood that as a result of the Maturing Plantations, peak production levels are expected to be reached in 2020 and would gradually stabilize in 2021 and 2022. As such, the management of Indofood has generally adopted a relatively moderate embedded annual growth rate averaging 23.3% over 2020 to 2022 along with the Plantations Buffer of 25%, when arriving at the Annual Caps. In addition to the aforementioned and considering

- (i) Indofood has indicated in its annual report for the year ended 31 December 2018 that in anticipation of an increase in consumption of palm-based products in Indonesia, its Surabaya refinery has increased another 300,000 tonnes of capacity per year (representing approximately 80% increase from the previous year) and completing the construction process of a new palm oil mill in Central Kalimantan which will start commissioning at end of 2019. In particular, as advised by the management of Indofood, the Maturing Plantations are expected to result in a substantial increase in the output volume of FFB, crude palm oil and palm kernel by around 20% in 2020 and on average 10% in 2021 and 2022. All of the aforesaid will require a corresponding increase in production of its existing plantation areas and in turn, demand for the RMK Services from 2020;
- (ii) based on the statistics published by BPS, the average monthly inflation rate of Indonesia between January 2015 and September 2019 was approximately 4.0%. The estimated increase in purchase prices of the building materials, the rental rates of the office space and transportation service fees of around 5% per annum is generally in line with the domestic inflation;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) as stated in section “2.2 Principal terms of the Plantations Agreements – (b) RMK Services” above, the pricing basis for the RMK Services is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (iv) the Plantations Buffer is considered commercially justifiable taking into account the Benefits for having the Plantations Buffer (Purchase) as discussed in the section headed “2.3 Annual Caps for the 2020-2022 Plantations Business Transactions – (a) Pumping Services” above,

we would concur with the Directors’ view that the respective Annual Caps are reasonable and in the interests of both the Company and the Independent Shareholders.

(c) *IGER Transactions*

The transacted amounts under the IGER Transactions increased by approximately 65.7% in 2018, mainly attributable to the increase in the amount of crude palm oil acquired by the SIMP Group from the IGER Group due to its higher production level. The transacted amount for 2019 (on an annualised basis) decreased by around 21.7% as a result of drop in IGER’s overall production of crude palm oil as a result of unfavorable weather conditions as well as lower sales value due to a drop in crude palm oil price.

Based on the information provided by Indofood Group, among the various transactions under the IGER Transactions, the purchase of palm oil and derivative products from the IGER Group by the SIMP Group accounted for over 90% of the historical transacted amount of the IGER Transactions and it is expected by the Indofood Group that the purchase of palm oil and derivative products will still take up over 90% of the total transaction amount of the IGER Transactions in the coming three years.

We have discussed with the management of Indofood regarding the underlying reasons and noted that, in arriving at the 2020-2022 Annual Caps, they have principally taken into account (i) the increase internal demand for crude palm oil and palm kernel of the SIMP Group for the use in its edible oils and fats business; (ii) the expected substantial increase in the output volume of crude palm oil, FFB and palm kernel in 2020 as a result of the Maturing Plantations and better weather conditions expected; and (iii) the Plantations Buffer. As such, the management of Indofood has generally adopted an embedded annual growth rate averaging 36.5% over 2020 to 2022 along with the Plantations Buffer of 25%, when arriving at the Annual Caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and the Independent Shareholders after taking into, among others, the following consideration:

- (i) as advised by the management of Indofood, the IGER Group expects that there will be a substantial increase in the output volume of crude palm oil, FFB and palm kernel by around 20% in 2020 and on average 10% in 2021 and 2022 respectively as a result of the Maturing Plantations and expected better weather conditions;
- (ii) the increase in demand of crude palm oil and palm kernel were estimated by the SIMP Group for the use in its edible oils and fats business. Based on Indofood's annual report for 31 December 2018, its refinery, the Surabaya refinery has expanded by another approximately 300,000 tonnes capacity (representing approximately 80% increase from the previous year);
- (iii) the total consumption volume of crude palm oil by the Indofood Group was around 930,000 metric tonnes in 2018. The projected annual demand of crude palm oil from the IGER Group under the IGER Transactions represents only approximately 15% of the total annual demand of crude palm oil of Indofood Group;
- (iv) as stated in section "2.2 Principal terms of the Plantations Agreements – (c) IGER Transactions" above, the pricing basis for the IGER Transactions is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (v) the Plantations Buffer is considered commercially justifiable taking into account the Benefits for having the Plantation Buffer (Purchase) as discussed in detail in section headed "2.3 Annual Caps for the 2020-2022 Plantations Business Transactions – (a) Pumping Services" above.

(d) *Indomobil (Plantations) Transactions*

We note the transacted amounts under the Indomobil (Plantations) Transactions between 2017 and 2018 increased by approximately 30.6% and further increased by approximately 18.8% in 2019 (on an annualised basis). As advised by the management of Indofood, this was mainly due to the increased planting of FFB in anticipation of a rebound in crude palm oil prices and demand and hence higher demand for vehicles and transportation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the Annual Caps for 2020-2022 and an average embedded annual growth rate of approximately 10.6%, they have principally taken into account (i) the estimated number and model of vehicle required to be purchased and leased to facilitate the expansion of oil palm plantation area with new planting in the coming three years and the Maturing Plantations; (ii) the estimated number of corresponding spare parts and services required for the maintenance of the vehicles; (iii) the expected increase in the leasing rate or purchase price of vehicles and spare parts; and (iv) the Plantations Buffer.

We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and Independent Shareholders after taking into consideration the following:

- (i) given expected increase in production as a result of, among others, the expected improvement in weather conditions and Maturing Plantations which are expected to increase the output volume of crude palm oil, FFB and palm kernel by approximately 20% in 2020 and on average 10% in 2021 and 2022 respectively, which would trigger demand for more vehicles;
- (ii) as stated in section "2.2 Principal terms of the Plantations Agreements – (d) Indomobil (Plantations) Transactions" above, the pricing basis for the Indomobil (Plantations) Transactions is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (iii) the Plantations Buffer is considered commercially justifiable taking into account the Benefits for having the Plantation Buffer (Purchase) as discussed in detail in section headed "2.3 Annual Caps for the 2020-2022 Plantations Business Transactions – (a) Pumping Services" above.

(e) *Palm Oil Transaction*

We note the transacted amounts for Palm Oil Transaction increased by approximately 23.5% in 2018 and declined by approximately 12.5% in 2019 (on an annualised basis). We are advised by management of Indofood that the movements were a combination of reasons including changes in demand from the PRC market, increases in prices for its products by approximately 5-8% between 2017 and 2018. The decline of approximately 12.5% in 2019 (on an annualised basis) was a result of a drop in price of products sold to Shanghai Resources by approximately 16% despite an increase in total volume sold by approximately 4%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the 2020, 2021 and 2022 Annual Caps and an average embedded annual growth rate of approximately 38.5%, they have principally taken into account (i) expansion plans including offering additional products such as margarine through Shanghai Resources in the PRC market which is likely to increase demand by approximately 10-20% based on previous experiences; (ii) the expected increase in the prices of palm oil and its derivative products in coming three years; and (iii) the Plantations Buffer.

We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and Independent Shareholders after taking into consideration the following:

- (i) we are given to understand that Shanghai Resources started to increase its operational scale in the PRC by expanding its business distribution network in China and increase the products variety starting from 2017 and such expansion plan has been ongoing;
- (ii) given the historical growth in purchase of palm oil and its derivative products by Shanghai Resources in 2018 of approximately 23.5%, combined with expected increase in demand as a result of the introduction of additional products, which, as advised by the Indofood's management based on their prior experience, would increase demand for products by approximately 10-20% per annum, the average embedded annual growth rate of approximately 38.5% over 2020-2022 would not be considered as excessive;
- (iii) as stated in section "2.2 Principal terms of the Plantations Agreements – (e) Palm Oil Transaction" above, the pricing basis for the Palm Oil Transaction is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (iv) the Plantations Buffer is considered acceptable taking into account the FX Volatility and that the Palm Oil Transaction involve mainly sales of products which are income-generating to the Indofood Group, the Plantations Buffer, apart from providing provision for the FX Volatility, will also provide flexibility for the Indofood Group to enjoy additional income resulting from possible unexpected increase in transaction amount due to one-off and/or occasional event(s), and to mitigate the burden of the Group to bear additional time and costs to conduct revision of the relevant annual cap(s) (the "**Benefits for having the Plantations Buffer (Sales)**"), which are considered commercially justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(f) *Margarine Transaction*

As advised by the management of Indofood, the transacted amounts under the Margarine Transaction remained at approximately US\$0.9 million level between 2017 and 2019 (on an annualised basis).

We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the Annual Caps for 2020 to 2022 and an average embedded annual growth rate of approximately 27.6%, they have principally taken into account (i) the estimated increase in demand for margarine by NIC for the three years ending 31 December 2022 as NIC is still in the process of expanding its operations; (ii) the prevailing increase in the market price for margarine in coming three years; and (iii) the Plantations Buffer.

We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and Independent Shareholders after taking into consideration the following:

- (i) as provided by the management of Indofood, NIC's projected demand for margarine is around 1,920 metric tonnes, 2,040 metric tonnes and 2,160 metric tonnes in 2020, 2021 and 2022 respectively;
- (ii) the estimated increase in the unit selling price of margarine by Indofood Group is consistent with Indonesia's average monthly inflation rate of approximately 4.0% between January 2015 and September 2019 based on the statistics published by BPS;
- (iii) as stated in section "2.2 Principal terms of the Plantations Agreements – (f) Margarine Transaction" above, the pricing basis for the Margarine Transaction is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (iv) the Plantations Buffer is considered acceptable and commercially justifiable taking into account the Margarine Transaction being income generating in nature and the Benefits for having the Plantations Buffer (Sales) as discussed in detail in the section headed "2.3 Annual Caps for the 2020-2022 Plantations Business Transactions – (e) Palm Oil Transaction" above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(g) *Sugar Transaction*

We note that the transacted amounts under the Sugar Transaction were relatively stable in 2017 and 2018, but increased by approximately 25.0% in 2019 (on an annualised basis). We have been given to understand that the increase in 2019 (on an annualised basis) was attributable to increase in sales volume of sugar by LPI.

We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the Annual Caps for 2020 to 2022, they have principally taken into account (i) the estimated sales volume of sugar of LPI for the three years ending 31 December 2020, 2021 and 2022 and the fact that based on production estimations, LPI is expected to reach full capacity in 2021; and (ii) the Plantations Buffer.

We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and Independent Shareholders after taking into consideration the following:

- (i) strong domestic demand and Indonesia's status as a net sugar importer have kept the domestic sugar industry relatively robust. Based on a report issued by the United States Department of Agricultural Service ("USDA") titled Indonesia Sugar Annual Report 2019, Indonesia's sugar sector remains highly regulated in 2018/2019, despite a possible output fall in 2019/20, the continuous growth in population and the food and beverage sector would continue to fuel the demand for sugar;
- (ii) we understand that the Annual Caps embedded an average annual growth rates for 2020, 2021, 2022 of around 20.0%, 0.0% and 0.0% on the transaction amount. Having considered the historical annual growth in the transaction amount of around 25.0% in 2019 (on an annualised basis) and that from 2021 LPI is expected to reach its full production capacity, we are of the view that the embedded annual growth rates for the coming three years are not excessive;
- (iii) as stated in section "2.2 Principal terms of the Plantations Agreements – (g) Sugar Transaction" above, the pricing basis for the Sugar Transaction is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (iv) the Plantations Buffer is considered acceptable and commercially justifiable taking into account the Sugar Transaction being income-generating in nature and the Benefits for having the Plantations Buffer (Sales) as discussed in detail in the section headed "2.3 Annual Caps for the 2020-2022 Plantations Business Transactions – (e) Palm Oil Transaction" above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(h) Packaging Material Transaction*

We note that the actual transacted amount for transactions under the Packaging Material Transaction was largely unchanged between 2017 and 2019 (on an annualised basis).

We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the Annual Caps for 2020 to 2022 and in assuming an average embedded annual growth of approximately 20.6%, they have principally taken into account (i) the projected demand of packaging materials of LPI from Indofood Group instead of from independent third parties in the coming three years; (ii) the prevailing and expected increase in selling prices of packaging materials; and (iii) the Plantations Buffer.

We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and Independent Shareholders after taking into consideration the following:

- (i) as provided by the management of Indofood, based on expected sales volume of sugar in 2020 and the latest stock level of packaging materials of LPI, LPI's demand for packaging materials as a whole in 2020 is expected to increase, to around 1.6 million sheets in 2020 from 1.4 million sheets in 2019, representing an expected growth of approximately 14.3%;
- (ii) the estimated increase in the unit selling price of packaging material is in line with Indonesia's average monthly inflation rate of approximately 4.0% between January 2015 and September 2019 based on the statistics published by BPS; and
- (iii) as stated in section "2.2 Principal terms of the Plantations Agreements – (h) Packaging Material Transaction" above, the pricing basis for the Packaging Material Transaction is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (iv) the Plantations Buffer is considered acceptable and commercially justifiable taking into account the Packaging Material Transaction being income-generating to the Indofood Group and the Benefits for having the Plantations Buffer (Sales) as discussed in detail in the section headed "2.3 Annual Caps for the 2020-2022 Plantations Business Transactions – (e) Palm Oil Transaction" above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) *Infrastructure Transactions*

We note the total transacted amounts for 2018 and 2019 (on an annualised basis) were minimal. We note the expected Annual Caps for the coming three years ending 31 December 2022 is expected to increase marginally to approximately US\$0.1 million for each of the three years respectively. We have been advised by the management of Indofood that the reasons for the increase was because they are expecting a minor adjustment in total rent for 2020 should it choose to rent offices from CSNJ over the next three years ending 31 December 2022 and such rate is expected to remain the same over the next three years. In addition, we understand that in determining the Annual Caps, the Plantations Buffer was also factored in.

We concur with the Directors' view that the respective Annual Caps for each of 2020, 2021 and 2022 are reasonable and in the interests of both the Company and Independent Shareholders after taking into consideration the following:

- (i) according to quotations from two independent property agency provided to us by the management of Indofood, the rent charged for properties similar to the property being rented by SIMP Group (i.e. the CSNJ Comparable Properties) are both higher per Sqm. We note the rent per Sqm based on the proposed new rent per year for the next three years ending 31 December 2022 under the Infrastructure Transactions, being approximately Rp8,445 per Sqm, is lower than the per Sqm rent for the CSNJ Comparable Properties, being at approximately Rp19,875 and Rp33,333 per Sqm per annum;
- (ii) as stated in section "2.2 Principal terms of the Plantations Agreements – (i) Infrastructure Transactions" above, the pricing basis for the Infrastructure Transactions is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (iii) the Plantations Buffer is considered acceptable and commercially justifiable taking into account the Benefits for having the Plantation Buffer (Purchase) as discussed in detail in section headed "2.3 Annual Caps for the 2020-2022 Plantations Business Transactions – (a) Pumping Services" above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(j) *Indomaret Finished Goods Transactions*

We note that the transacted amounts for the Indomaret Finished Goods Transactions increased by approximately 4.3% and 9.1% respectively for 2018 and 2019 (on an annualised basis).

We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the Annual Caps for 2020 to 2022 and an average embedded annual growth of around 28.3%, they have principally taken into account (i) the estimated sales volume based on the anticipated demand of the packaged cooking oil products and oil derivative products, being the key products to be sold to Indomaret for the next three years ending 31 December 2022; (ii) the prevailing unit selling price charged by Indofood to Indomaret; (iii) the expected increase in the number of outlets operated by Indomaret; and (iv) the Plantations Buffer.

We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and the Shareholders after taking into consideration the following:

- (i) as provided by the management of Indofood, Indomaret currently operates around 16,900 outlets in Indonesia in 2019, which substantially increased from approximately 12,000 stores in 2016, and it intends to achieve an annual increase of approximately 5%;
- (ii) according to BPS, average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019;
- (iii) the estimated price increases in products is considered in line with Indonesia's average monthly inflation rate of approximately 4.0% between January 2015 and September 2019 based on the statistics published by BPS;
- (iv) as stated in section "2.2 Principal terms of the Plantations Agreements – (j) Indomaret Finished Goods Transactions" above, the pricing basis for the Indomaret Finished Goods Transactions is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (v) the Plantations Buffer is considered acceptable and commercially justifiable taking into account the Indomaret Finished Goods Transactions being income-generating in nature and the Benefits for having the Plantations Buffer (Sales) as discussed in detail in the section headed "2.3 Annual Caps for the 2020-2022 Plantations Business Transactions – (e) Palm Oil Transaction" above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(k) *Indogrosir Finished Goods Transactions*

We note that the transacted amount under the Indogrosir Finished Goods Transactions grew by approximately 13.3% and 24.5% respectively in 2018 and 2019 (on an annualised basis). As advised by the Indofood management, such increases in the transaction amount was principally attributable to increase in sales volume of packaged cooking oil products, sugar and oil derivative products including margarine of Indogrosir as well as continued business expansion of Indogrosir.

We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the Annual Caps for 2020 to 2022 and an embedded average annual growth rate of around 31.5%, they have principally taken into account (i) the estimated sales volume of the packaged cooking oil products and oil derivative products by Indogrosir for the three years ending 31 December 2022 based on Indogrosir's plan to further expand its distribution network in Indonesia; (ii) the expected increase in the unit selling price by Indofood for packaged cooking oil products and oil derivative products as well as price of sugar; and (iii) the Plantations Buffer.

We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and Independent Shareholders after taking into consideration the following:

- (i) the historical growth in transacted amount has been recorded at the annual growth rate of approximately 13.3% and 24.5% in 2018 and 2019 (on an annualised basis) respectively, with an average of around 18.9%;
- (ii) as advised by Indofood management, Indogrosir plans to further expand its distribution network in Indonesia in the coming three years. In this regard, we understand that Indogrosir currently operates 23 outlet stores in Indonesia which represents an approximate 9.5% increase from 2016 and it intends to continue its expansion plan and achieve an increase of around 5% per annum. We understand the Indofood Group anticipates a corresponding increase in sales including, but not limited to, the purchase volume of packaged cooking oil products and oil derivative products by Indogrosir from SIMP Group in the coming three years;
- (iii) according to BPS, average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019;
- (iv) the estimated price increases in products are expected to be in line with domestic average monthly inflation which was approximately 4.0% between January 2015 and September 2019 based on the statistics published by BPS;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) as stated in section “2.2 Principal terms of the Plantations Agreements – (k) Indogrosir Finished Goods Transactions” above, the pricing basis for the Indogrosir Finished Goods Transactions is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (vi) the Plantations Buffer is considered acceptable and commercially justifiable taking into account the Indogrosir Finished Goods Transactions are income-generating in nature and the Benefits for having the Plantations Buffer (Sales) as discussed in detail in the section headed “2.3 Annual Caps for the 2020-2022 Plantations Business Transactions – (e) Palm Oil Transaction” above.

(l) *PTIS Palm Oil Transaction*

As advised by the management of Indofood, the PTIS Palm Oil Transaction commenced in June 2018 and the transacted amount under the PTIS Palm Oil Transaction in 2019 was minimal due to the fact that PTIS did not produce animal feed according to recipes which required palm oil as an ingredient.

We noted that the Company expects a general increase in Annual Caps for the PTIS Palm Oil Transactions for the three years ending 31 December 2022. We have discussed with the management of Indofood and noted the main reason for the expected increase is the Maturing Plantations which is expected to have a positive effect on the production of crude palm oil and derivative products, as well as the expectation that PTIS will be resuming production of animal feed recipes involving the use of crude palm oil. We understand that in estimating the Annual Caps for the PTIS Palm Oil Transaction, Indofood has also considered PTIS’s projected demand for crude palm oil as an ingredient to produce certain recipes of animal feed. In addition, we also understand that Indofood management is expecting a recovery in crude palm oil selling price in the coming three years. As with other Plantations Transactions, the Plantations Buffer of 25% was also adopted.

We consider the Plantations Buffer is acceptable and commercially justifiable taking into account the PTIS Palm Oil Transaction being income generating in nature and the Benefits for having the Plantations Buffer (Sales) as discussed in detail in the section headed “2.3 Annual Caps for the 2020-2022 Plantations Business Transactions – (e) Palm Oil Transaction” above.

Having considered the above, we are of the view that the Annual Caps for the PTIS Palm Oil Transaction are fair and reasonable as far as the Company and Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(m) Conclusion*

Having considered that, in particular, the reasons and factors discussed above in relation to our assessment of the Annual Caps for each of the 2020-2022 Plantations Business Transactions, we are of the view that the proposed aggregated Annual Caps for the 2020-2022 Plantations Business Transactions are set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of both the Company and Independent Shareholders as a whole.

### **3. Distribution Business**

#### ***3.1 Background of and reasons for the 2020-2022 Distribution Business Transactions***

As disclosed in the letter from the Board in the Circular, IAP and PDU are the operating subsidiaries of Indofood for the Indofood Group's distribution business ("**Distribution Business**"). The Distribution Business is a strategic asset that forms a vital part of Indofood's vertically integrated operations. Its vast network and nationwide distribution capabilities enable the availability of Indofood and third-party products throughout Indonesia. The products distributed by the Distribution Business are mainly consumer products including the instant noodle products, biscuit, snack food, food seasoning, cooking oil, beverage, dairy products and personal care products. With the cooperation from the distribution partners, the Distribution Business has the most extensive distribution network of outlets in Indonesia among domestic consumer goods distributors.

Indofood Group has conducted the distribution business transactions with LS for over 13 years, FFI for over 8 years, and Indomaret and Indogrosir since 2014. LS, FFI, Indomaret and Indogrosir currently operates around 168 outlets, 714 restaurant outlets, 16,900 outlets/mini stores and 23 outlets respectively in Indonesia, which form an enormous and expanding retail network for consumer goods covering most of the major cities and regions of Indonesia. As long as the pricing and other terms of the transactions with LS, FFI, Indomaret and Indogrosir are fair and reasonable to the Group and its Shareholders as a whole, it will be beneficial to the Indofood Group to maintain business relationship with them and leverage on their retail network for the development of Distribution Business.

As disclosed in annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"), the Group's aggregate annual turnover derived from the Distribution Business for the year ended 31 December 2018 amounted to about US\$384.6 million. As disclosed in Indofood's annual report for the year ended 31 December 2018, the Distribution Business will continue its efforts to broaden its distribution network. As at 31 December 2018, Indofood Group has more than 1,300 distribution/stock points in densely populated areas that have direct access to both traditional and modern trade outlets.

We concur that it is of high importance for the Distribution Business to maintain and broaden the distribution network and the entering into of 2020-2022 Distribution Business Transactions, which have contributed and are expected to continue to contribute to Indofood Group's operating revenue, are therefore considered in the interest of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.2 *Principal terms of the 2020-2022 Distribution Business Transactions*

As disclosed in the letter from the Board of the Circular, agreements in respect of the existing 2017-2019 Distribution Business Transactions will expire on 31 December 2019.

Subject to Independent Shareholders' approval having been obtained in respect of the 2020-2022 Distribution Business Transactions, the framework agreements in respect of the transactions numbered (1) to (15) in the letter from the Board of the Circular will be automatically renewed from 1 January 2020 for a term of three years, expiring on 31 December 2022, on the same terms as those of the existing agreements.

The arrangements under the renewed framework agreements will commence on 1 January 2020 and will have a duration of three years (subject to automatic renewal clause), expiring on 31 December 2022. Subject to compliance with the relevant requirements of the rules of any stock exchange to which any of the parties to the relevant framework agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, each of such renewed framework agreements will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier by any party to the relevant framework agreement by giving not less than one month's notice to the other party(ies) in accordance with the terms of the relevant framework agreement.

We have reviewed the corresponding framework agreements in relation to the 2020-2022 Distribution Business Transactions, and note that the pricing basis in respect of each of transactions will be determined from time to time based on the written mutual agreement between the parties, with due regard to prevailing market conditions.

The 2020-2022 Distribution Business Transactions include:

- (1) distribution of various consumer products by IAP to LS (the "**IAP-LS Consumer Products Transactions**");
- (2) sales of chili and tomato sauces, seasonings and dairy products by IAP to FFI (the "**IAP-FFI Transactions**");
- (3) distribution of various consumer products by PDU to LS (the "**PDU-LS Consumer Products Transactions**");

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (4) sale/rental of cars and spare parts and provision of car services by the Indomobil Group to the Indofood Group (the “**Indomobil (Distribution) Transactions**”);
- (5) the Indofood Group use human resources outsourcing services from SDM (the “**Indofood-SDM Transactions**”);
- (6) sale of finished goods by IAP to Indomaret (the “**IAP-Indomaret Finished Goods Transactions**”);
- (7) sale of finished goods by IAP to Indogrosir (the “**IAP-Indogrosir Finished Goods Transactions**”);
- (8) sale of finished goods by PDU to Indomaret (the “**PDU-Indomaret Finished Goods Transactions**”);
- (9) sale of finished goods by PDU to Indogrosir (the “**PDU-Indogrosir Finished Goods Transactions**”);
- (10) rental of space by Indomaret from IAP (the “**Indomaret Rental Transaction**”);
- (11) rental of space by LS from IAP (the “**LS Rental Transaction**”);
- (12) management of IAP’s pension plan assets by PT Indolife Pensiontama (the “**Pension Transaction**”);
- (13) purchase of sugar by IAP from LPI (the “**IAP-LPI Sugar Transaction**”);
- (14) commission fees payable by IAP to IDP (the “**IAP-IDP Transaction**”); and
- (15) purchase of cosmetic products by IAP from ING (the “**IAP-ING Transaction**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (a) *IAP-LS Consumer Products Transactions, IAP-FFI Transactions, PDU-LS Consumer Products Transactions, IAP-Indomaret Finished Goods Transactions, IAP-Indogrosir Finished Goods Transactions, PDU-Indomaret Finished Goods Transactions and PDU-Indogrosir Finished Goods Transactions*

As provided by Indofood, the Distribution Agreements in relation to transactions involving sales of goods by the Indofood Group such as the IAP-LS Consumer Products Transactions, the IAP-FFI Transactions, the PDU-LS Consumer Products Transactions, the IAP-Indomaret Finished Goods Transactions, the IAP-Indogrosir Finished Goods Transactions, the PDU-Indomaret Finished Goods Transactions and the PDU-Indogrosir Finished Goods Transactions, will consist of terms and conditions similar to those offered by the Indofood Group to independent third parties and on normal commercial terms, and in particular, the price/fee to be paid/received by Indofood Group under each relevant transaction agreements will be agreed between the relevant contracting parties from time to time based on prevailing market conditions which is expected to be no more favourable than those offered to other independent third parties by the Indofood Group. In this regard, we have requested Indofood to provide us with, among other things, the relevant transaction records and/or invoices of similar transactions with independent third parties, and we note that the principal terms of the Distribution Agreements as regard the IAP-LS Consumer Products Transactions, the IAP-FFI Transactions, the PDU-LS Consumer Products Transactions, the IAP-Indomaret Finished Goods Transactions, the IAP-Indogrosir Finished Goods Transactions, the PDU-Indomaret Finished Goods Transactions and the PDU-Indogrosir Finished Goods Transactions, have been similar to those offered by/to independent third parties in for similar products. As observed from the transaction records/invoices, the prices in connection with the respective transactions charged for services/products provided/sold to/from connected parties have been no less favourable than the prices charged to/by independent third-party customers. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future prices/fees under the aforesaid transactions such that, if applicable, the then prevailing selling prices/fees of similar comparable transactions will be used as market references. Considering that the prices/fees will be determined with reference to the prevailing market conditions, we consider that the pricing basis for the IAP-LS Consumer Products Transactions, the IAP-FFI Transactions, the PDU-LS Consumer Products Transactions, the IAP-Indomaret Finished Goods Transactions, the IAP-Indogrosir Finished Goods Transactions, the PDU-Indomaret Finished Goods Transactions and the PDU-Indogrosir Finished Goods Transactions is fair and reasonable, on normal commercial terms and in the interests of both the Company and Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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FFI is engaged in food and restaurant operations and is the master franchise holder of the Kentucky Fried Chicken (KFC) brand in Indonesia. We are advised by the Indofood Group that certain supplies to FFI under the IAP-FFI Transactions including chili, tomato sauce and seasoning, are subject to certain specification (i.e. sauce/seasonings of tailor-made tastes) and therefore, do not have direct comparable products in the market. However, we are advised by the management of Indofood that the Indofood Group only plays the role of distributor who mainly sources the required products with specifications for FFI and arranges the delivery of the finished goods from the manufacturer(s) to FFI under the IAP-FFI Transactions. Indofood Group itself does not manufacture or produce such products with specifications. Therefore, despite there are specifications imposed by FFI on the required products, IAP charges the same distribution margins of around 4% on factory prices of products supplied to FFI as those similar types of product without specification. Given the distributor role of IAP under the IAP-FFI Transactions, we concur with the management of Indofood that charging the same distribution margins on factory prices of such products supplied with specification as those similar types of product without specification is not unreasonable. In such regard, we have reviewed the relevant recent transaction records of transactions with independent third parties for the similar types of products without specification, and we note that the distribution margins charged by IAP for products with specification as regard the IAP-FFI Transactions have been no less favourable than those similar types of products that without specification offered by IAP to independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future prices under the aforesaid transactions such that, if applicable, the then distribution margins charged by the Indofood Group for similar types of products without specification will be used as market references. Having considered the above, we are of the view that the pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(b) Indomobil (Distribution) Transactions*

As provided by Indofood, the Distribution Agreements in relation to the Indomobil (Distribution) Transactions will consist of terms and conditions similar to those offered to the Indofood Group by independent third parties and on normal commercial terms, and in particular, the price/fee to be paid by the Indofood Group will be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no less favourable to the Indofood Group than those available from other independent third parties. In this regard, we have requested Indofood to provide us with, among other things, the relevant quotations of similar transactions with independent third parties, and we note that the principal terms of the Distribution Agreements as regard the Indomobil (Distribution) Transactions have been similar to those made available by independent third parties to the Indofood Group. As observed from the quotations, the prices paid by the Indofood Group have been more favourable than the prices quoted by independent customers similar product/service. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future prices under the Indomobil (Distribution) Transactions and therefore, considering that the prices will be determined with reference to the prevailing market conditions, we consider that the pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

*(c) Indofood-SDM Transactions*

As provided by the management of Indofood, SDM has been providing human resources outsourcing services to Indofood Group under the Indofood-SDM Transactions since 2015.

We have reviewed the Distribution Agreements as regard the Indofood-SDM Transactions, and we note that the fees are mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no less favourable to the Indofood Group than to independent third parties. We are further advised by the management of Indofood that all the Indofood-SDM Transactions have comparable transactions with independent third parties. In this regard, we have requested Indofood to provide us with, among other things, the relevant quotations of similar services provided by independent third parties and we note that the principal terms under the existing agreements as regard the Indofood-SDM Transactions have been no less favourable than those made available to the Indofood Group from independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future fees under the Indofood-SDM Transactions. We consider that the aforesaid pricing basis is fair and reasonable, on normal commercial terms and the entering into of the Distribution Agreements as regards the Indofood-SDM Transactions is in the interests of both the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(d) *Indomaret Rental Transaction and LS Rental Transaction*

Under the Indomaret Rental Transaction and the LS Rental Transaction, IAP will rent idle space of the premises owned by it to Indomaret and LS respectively, as warehouses.

Pursuant to the Distribution Agreements as regard the Indomaret Rental Transaction and the LS Rental Transaction, the annual rental fee under the Indomaret Rental Transaction for the coming three years period is fixed at approximately Rp2.5 billion, whilst the annual rental fee under the LS Rental Transaction is fixed at approximately Rp4.0 billion for each of the three years ending 31 December 2022. The rental fee needs to be fully paid in advance by Indomaret, while LS will pay the rental fees on quarterly basis. We are advised that the aforesaid rental fee has been determined after arm's length negotiations with reference to the prevailing market rental rates in similar geographical location in Indonesia. In this regard, the management of Indofood has provided us quotations from an independent property agencies which showed that as at 29 October 2019, the rental fee per square meter charged for rental of similar industrial units considered to be comparable and within close proximity of properties being rented to Indomaret and LS respectively were lower than the rental fee per square meter charged under each of the Indomaret Rental Transaction and the LS Rental Transaction. Accordingly, we concur that the rental rate charged by IAP is no less favourable when compared to the rental rate quoted by such independent property agency.

(e) *Pension Transaction*

PT Indolife Pensiontama (“**Indolife**”) is engaged in life insurance and pension funds businesses and has 97 branches in Indonesia. We understand from the management of Indofood that upon request of IAP intends to fund its employees’ pension through Financial Institution Pension Fund in Indonesia, IAP will engage Indolife as the custodian and manager of the pension assets under IAP’s defined benefit plan for its employees (the “**DBP**”). In accordance with the Distribution Agreement as regard the Pension Transaction, IAP will make monthly contribution to the DBP which IAP’s employees are the beneficiaries of the custodian accounts managed by Indolife. The investment return of the pension assets under Indolife’s management should not be lower than the interest rates of time deposit in the licensed bank(s) in Indonesia. We are confirmed by the management of Indofood that the employees will account for all the management fees incurred and interest incomes derived from the contribution and will be responsible for payment of the management fees and/or other expenses (if any) in respect of the custodian and management services provided by Indolife. As such, the management of Indofood confirms that the estimated transaction amounts under the Pension Transaction mainly cover the deposit of all the monthly contributions by IAP during the respective year, without taking into account any management fees, interest incomes and/other any other expenses/incomes (if any) derived or incurred in respect of such custodian and management arrangement during the respective year. Based on the aforesaid, we consider that the basis for calculating the annual transaction amount under the Pension Transaction, which will be calculated by the monthly total payroll to IAP’s employees multiplying the contribution rate of 5% by IAP (which is above the minimum social security contribution rate issued by the Indonesian government), is reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(f) IAP-LPI Sugar Transaction*

As disclosed in the letter from the Board in the Circular, LPI is a joint venture plantation company within the IGER Group between SIMP and the Salim Group and is engaged in plantation development in Indonesia. As in the past, quality of sugar manufactured by LPI has not fulfilled the requirement of Indofood, there were no historical transaction under the IAP-LPI Sugar Transaction prior to 2018.

We have reviewed the corresponding framework agreements as regard the IAP-LPI Sugar Transaction, and we note that the prices payable by IAP shall be determined by and mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no less favourable to the Indofood Group than to independent third parties. We are advised by the management of Indofood that the IAP-LPI Sugar Transaction has comparable transactions with independent third parties. In such regard, we have reviewed the relevant quotations/invoices of the sale of the same products from independent third parties. As observed from the quotations/invoices, the prices offered by LPI to the Indofood Group are no less favourable than those offered by independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future prices under the IAP-LPI Sugar Transaction such that, if applicable, the then prevailing market prices of similar comparable transactions will be used as market references to the IAP-LPI Sugar Transactions. Having taken into account that the prices will be determined with reference to the prevailing market conditions and be no less favourable to IAP than to independent third parties, we consider the pricing basis for the IAP-LPI Sugar Transaction is on normal commercial terms and fair and reasonable.

In view of, as discussed in paragraphs above, (i) the Indofood Group is not obligated to enter into any transactions with LPI under the Distribution Agreements as regard the IAP-LPI Sugar Transaction and LPI is only one of the options available for consideration subject to availability, price and quality; and (ii) that the selling prices involved shall be no less favourable to the Indofood Group than those offered by independent third parties, we concur with the view of the Directors that the entering into of the Distribution Agreements as regard the IAP-LPI Sugar Transaction is beneficial to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(g) *IAP-IDP Transaction*

We were advised that the IAP-IDP Transaction is a new transaction commenced on 6 June 2018. 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. We understand from the management of Indofood that IAP would market its products through IDP and in accordance with the draft Distribution Agreement as regard the IAP-IDP Transaction, and IAP will pay a 1% commission on sales to IDP for the online marketing services provided.

We have reviewed the corresponding framework agreement as regard the IAP-IDP Transaction, and we note that the commission payable by IAP shall be determined by and mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no less favourable to the Indofood Group than to independent third parties. We are advised by the management of Indofood that the Indofood Group has entered into previous similar arrangements with independent third parties. In such regard, we have reviewed the relevant agreement and understood from the management of Indofood the comparable online marketing services provided by independent third party would charge a 5% commission rate. We have been advised by the management of Indofood that this rate is relatively high because the independent service provider provides additional services such as warehousing. Based on the management of Indofood, this warehousing service is not required in the case of IAP-IDP Transaction and if it was to disregard this service, the commission rate charged by the comparable independent third party purely in relation to online marketing services alone would be approximately 2%. Having taken into account of the aforementioned, and given the prices under the IAP-IDP Transaction will be determined with reference to the prevailing market conditions and be no less favourable to IAP than to independent third parties, we consider that the pricing basis for the IAP-IDP Transaction is on normal commercial terms and fair and reasonable.

(h) *IAP-ING Transaction*

We were advised that the IAP-ING Transaction is a new transaction commenced on 6 June 2018. ING is a manufacturing company for the cosmetic/skincare goods brand “Natasha”. We understand from the management of Indofood that IAP is the exclusive distributor for the “Natasha” branded products.

We have reviewed the corresponding framework agreement as regard the IAP-ING Transaction, and we note that the amount payable by IAP shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions. We are advised by the management of Indofood that given IAP is the exclusive sole distributor, the IAP-ING Transaction does not have comparable transactions with independent third parties. In addition, we were given to understand that other than the “Natasha” branded products, IAP does not currently distribute any other cosmetic/skincare products for any other brand. Against such backdrop, we have made reference to the profit margin generated from sales of “Natasha” branded products against the overall profit margin of the entire

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Distribution Business of Indofood Group. We have discussed and have been confirmed by the management of Indofood that as at 30 September 2019, profit margin from distribution of “Natasha” branded products was higher than the overall profit margin generated by the entire Distribution Business of Indofood Group. In this regard, we consider that the pricing basis for the IAP-ING Transaction is on normal commercial terms and fair and reasonable.

### 3.3 Annual Caps for the 2020-2022 Distribution Business Transactions

Set out below are details of the actual transacted amount of each of the Distribution Transactions for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019 respectively, and the respective Annual Caps for the 2020-2022 Distribution Business Transactions:

	Actual transacted amount			Proposed Annual Caps		
	For the year ended		For the	For the year ending		
	31 December		nine months	31 December		
	2017	2018	ended 30	2020	2021	2022
US\$ million	US\$ million	September	US\$ million	US\$ million	US\$ million	
		2019				
IAP-LS Consumer Products						
Transactions	19.3	17.6	14.3	27.1	31.2	35.9
IAP-FFI Transactions	1.7	1.8	1.2	2.2	2.5	2.7
PDU-LS Consumer Products						
Transactions	1.5	1.3	1.3	2.4	2.8	3.2
Indomobil (Distribution)						
Transactions	6.9	3.6	4.3	8.1	8.9	9.7
Indofood-SDM Transactions	8.5	9.9	11.3	22.3	26.8	32.1
IAP-Indomaret Finished						
Goods Transaction	148.0	141.6	122.7	245.3	294.3	353.2
IAP-Indogrosir Finished						
Goods Transaction	46.0	50.2	42.2	83.0	99.6	119.5
PDU-Indomaret Finished						
Goods Transaction	9.8	9.7	7.7	15.6	18.7	22.4
PDU-Indogrosir Finished						
Goods Transactions	3.0	3.1	2.5	5.0	6.0	7.2
Indomaret Rental Transaction	0.2	0.2	0.1	0.3	0.3	0.3
LS Rental Transaction	0.3	0.3	0.2	0.4	0.4	0.4
Pension Transaction	0.4	0.3	0.2	0.4	0.4	0.4
IAP-LPI Sugar Transaction	–	0.5	1.8	3.3	3.6	4.5
IAP-IDP Transaction	–	1.2	0.1	0.2	0.2	0.2
IAP-ING Transaction	–	1.2	0.9	1.6	1.7	1.9
<b>Total</b>	<b>245.6</b>	<b>242.5</b>	<b>210.8</b>	<b>417.2</b>	<b>497.4</b>	<b>593.6</b>

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As shown above, the actual aggregate transacted amount of the 2017-2019 Distribution Business Transactions in 2018 was similar to that of 2017, although it marginally declined by approximately 1.3%. However, we understand from the management of Indofood that there was actually a growth in the actual aggregate transacted amount of the aforesaid Distribution Business Transactions in Rp by around 3.9% in 2018 as compared to that in 2017, and the drop in the aggregate transacted amount in US\$ was in fact owing to the depreciation of Rp to US\$ by around 13.9% during the year 2018.

(a) *IAP-LS Consumer Products Transactions*

We note that the actual transacted amounts under the IAP-LS Consumer Products Transactions fell by approximately 8.8% and in 2019 (on an annualised basis) grew by approximately 8.5%. We understand from the management of Indofood that the transaction amount fell in 2018 because an independent third-party supplier ceased to distribute through IAP certain consumer products mainly baby diapers because Indofood introduced similar products under own brand with lower prices. The increase in transaction amount by around 8.5% in 2019 (on an annualised basis) was because new products introduced by Indofood in 2018 was officially launched and received positive LS customer response.

We noted that an upward trend is generally expected by the management of Indofood for the Annual Caps for the three years ending 31 December 2022. We have discussed with the management of Indofood and noted that, when arriving at the 2020 Annual Cap and in assuming an embedded average annual growth rate of 14.5% over the next three years, they have principally taken into account among other things, (i) addition of new outlets and demand for new products by LS; (ii) based on our understanding from the Indofood Group, introduction of new products in the past would normally lead to an approximate 10-20% corresponding improvement in revenue; (iii) a general buffer of 25% (the “**Distribution Buffer**”) to allow flexibility in accommodating (a) the uncertainty in the fluctuation of exchange rate of US\$ to Rp in view of the increased volatility in spot exchange rate of Rp to US\$; and (b) unexpected increase in transaction amount due to one-off and/or occasional events.

Having considered (i) the latest annual growth in transacted amount of around 8.5% in 2019 (on an annualised basis) over 2018; (ii) the number of outlets currently operated by LS is approximately 168, which has increased by approximately 33.3% from 126 outlets in 2016; and (iii) in view of the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019 as per the BPS, we consider the use of an average annual growth rate of 14.5% over 2020-2022 is not excessive.

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The Distribution Buffer is considered acceptable taking into account the FX Volatility and that the IAP-LS Transactions are income generating to the Indofood Group, the Distribution Buffer, apart from providing provision for the FX Volatility, will also provide flexibility for the Indofood Group to enjoy additional income resulting from any possible unexpected increase in transaction amount due to one-off and/or occasional event(s), and mitigate the burden of the Group to bear additional time and costs to conduct revision of the relevant annual cap(s) (the “**Benefits for having the Distributions Buffer (Sales)**”), which are considered commercially justifiable.

Having considered that above, we are of the view that the Annual Caps for the IAP-LS Consumer Products Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(b) IAP-FFI Transactions*

We note that the transacted amount for transactions under the IAP-FFI Transactions grew by approximately 5.9% in 2018 and then dropped by around 11.1% in 2019 (on an annualised basis). The decrease in 2019 was, as advised by Indofood, mainly due to FFI’s change in internal policy to using at least 2 suppliers for products sourced.

We noted that an upward trend is generally expected by the management of Indofood for the Annual Caps for the IAP-FFI Transactions for the three years ending 31 December 2022. We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the Annual Caps, they have principally taken into account (i) the estimated annual sale amount to FFI in the coming three years taking into account the addition of expected increase in number of restaurant outlets operated by FFI; and (ii) the Distribution Buffer.

Having considered that:

- (i) as provided by the management of Indofood, FFI currently operates around 714 restaurant outlets in Indonesia. This is an increase of around 174 restaurants since 2016 which represents a growth of approximately 32.2%;
- (ii) we understand that the Annual Caps embedded an estimated annual growth rate of around 12.5%, 11.1% and 10.0% on the transaction amount for 2020, 2021 and 2022 respectively, with an embedded average annual growth rate of round 11.2%. In view of that, considering the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019 as per the BPS, we consider this growth rate to be not excessive; and

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- (iii) the Distribution Buffer is considered acceptable and commercially justifiable taking into account the IAP-FFI Transactions being income-generating and the Benefits for having the Distribution Buffer (Sales) as discussed in detail in the section headed “3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (a) IAP-LS Consumer Products Transactions” above,

we are of the view that the Annual Caps for IAP-FFI Transactions are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(c) *PDU-LS Consumer Products Transactions*

As advised by the management of Indofood, the transacted amounts under the PDU-LS Consumer Products Transactions decreased by approximately 13.3% and increased by approximately 30.8% in 2018 and 2019 (on an annualised basis) respectively. We understand from the management of Indofood that in 2018, the transaction amount fell as a result of an independent third-party supplier ceased to distribute through IAP certain consumer product such as baby diapers because Indofood had introduced similar products under own brand with lower prices. The increase in transaction amount in 2019 (on an annualised basis) was because the new products introduced by Indofood in 2018 was officially launched and received positive LS customer reaction. We further understand the increase in 2019 was also as a result of the opening of new outlets and new flavoured noodles and dairy products which triggered demand.

We noted that an upward trend is generally expected by the management of Indofood in the Annual Caps for the PDU-LS Consumer Products Transactions for the three years ending 31 December 2022. We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the Annual Caps, they have principally taken into account (i) expected improvement in sales as a result new products and new outlets; and (ii) the Distribution Buffer.

Having considered that:

- (i) the number of outlets currently operated by LS is approximately 168, which has increased by approximately 33.3% from 126 outlets in 2016;
- (ii) in view of the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019 as per the BPS;
- (iii) the average growth rate of the transacted amount under the PDU-LS Consumer Products Transactions over the last three years ending 31 December 2019 of approximately 8.7%, together with items (i) and (ii) above, the assumed average embedded annual growth in expected transaction amount of around 15.3% for the coming three years is therefore not excessive; and

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- (iv) the Distribution Buffer is also considered acceptable taking into account the PDU-LS Consumer Products Transactions are income-generating in nature and the Benefits for having the Distribution Buffer (Sales) as discussed in detail in the section headed “3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (a) IAP-LS Consumer Products Transactions” above,

we are of the view that the Annual Caps for PDU-LS Consumer Products Transactions are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

*(d) Indomobil (Distribution) Transactions*

We are advised by management of Indofood that the transacted amounts under the Indomobil (Distribution) Transactions for 2018 declined by approximately 47.8% due to the delay in the vehicle replacement program of Indofood relating to the Distribution Business. In 2019, on an annualised basis, the transacted amount rebounded by approximately 58.3%. We were advised that this was because of the vehicle replacement program for the Distribution Business resumed in 2019.

We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the 2020-2022 Annual Cap with an average embedded annual growth rate of around 11.0%, they have principally taken into account (i) continuance of the vehicle replacement program for the Distribution Business from 2019 to 2020; (ii) an expansion in the size of its transportation team expected in order to accommodate increase in sales; and (iii) the adoption of a Distribution Buffer.

Having considered that:

- (i) in view of the transacted amount under the Indomobil (Distribution) Transactions of around 58.3% in 2019 (on an annualized basis) over 2018, the expected continuance of the vehicle replacement program for the Distribution Business in 2020 and the expected annual growth of the other Distribution Transactions relating to sales and distribution of products by Indofood Group, which is expected to correspondingly increase the demand for the Indomobil Distribution Transaction, being no less than 10% in the coming years, we consider an assumed average embedded annual growth in expected transaction amount of around 11.0% for the coming three years not excessive; and

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- (ii) the Distribution buffer of 25% is considered acceptable taking into account the FX Volatility and that the Indomobil (Distribution) Transactions involve also mainly purchase/rent of vehicles and spare parts from the Indomobil Group, the buffer, apart from providing provision for the FX Volatility, will also provide flexibility for the Indofood Group to accommodate unexpected future variations in its demand for products/services which may be caused by one-off and/or occasional event(s), and mitigate the chance of operational disruption and the burden of the Group to bear additional time and costs to conduct revision of the relevant annual cap(s) (the “**Benefits for having the Distribution Buffer (Purchase)**”), which are considered commercially justifiable,

we are of the view that the Annual Caps for the Indomobil (Distribution) Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(e) Indofood-SDM Transactions*

As advised by the management of Indofood, the transacted amounts under the Indofood-SDM Transaction increased by approximately 16.5% and a further 52.5% respectively for 2018 and 2019 (on an annualised basis). We were advised that this increase was due to higher demand for labour to facilitate business needs as well as increases in wages by approximately 8.5-10%.

We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the 2020-2022 Annual Caps, they have principally taken into account (i) further increases in wages in the next three years ending 2022 and the expected expansion plans for its transportation team to accommodate its higher estimated sales; and (ii) the Distribution Buffer.

Having considered that:

- (i) the average increase in annual growth of transacted amounts of approximately 34.5% between 2017 and 2019 (on an annualised basis) and the Minister of Labor issued a circular B-M 308, 2019 which mandates a minimum wage increase of approximately 8.5% starting from January 2020, we consider an average embedded annual growth in expected transaction amount of around 19.4% for the coming three years not excessive; and
- (ii) the Distribution Buffer of 25% is considered acceptable and commercially justifiable taking into account the Benefits for having the Distribution Buffer (Purchase) as discussed in detail in the section headed “3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (d) Indomobil (Distribution) Transactions” above,

we are of the view that the Annual Caps for Indofood-SDM Transactions are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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*(f) IAP-Indomaret Finished Goods Transactions*

As advised by the management of Indofood, the transacted amounts under the IAP-Indomaret Finished Goods Transactions marginally declined by approximately 4.3% in 2018 and increased by approximately 15.5% in 2019 (on an annualised basis). We understand the increase in 2019 (on an annualised basis) was mainly due to additional outlets operated by Indomaret in the same year. Based on the information provided, the number of outlets operated by Indomaret has increased from approximately 12,000 in 2016 to approximately 16,900 in 2019.

We understand that the Annual Caps embedded an estimated annual growth of around 19.9%, 20.0% and 20.1% on the annual transaction amount for 2020, 2021 and 2022 respectively, with an average of around 20.0%. We have discussed with the management of Indofood regarding the underlying reasons and noted that, they have principally taken into account (i) the estimated increase in sales volume based on the increase in anticipated demand for the packaged cooking oil and oil derivative products; (ii) the prevailing sales prices of products to Indomaret; (iii) the expected increase in revenue generated from the introduction of new products such as baby diapers, new flavours for dairy, noodle and flour based products of approximately 10-20% based on prior experiences; (iv) the continued expansion in the number of stores operated by Indomaret; and (v) the Distribution Buffer.

In addition to our discussion as outlined above, we further noted that (i) the expected increase in unit sales price of products sold by the Indofood, according to the Indofood management, is in line with the average monthly inflation rate of around 4.0% in Indonesia between January 2015 and September 2019 based on the statistics published by BPS; (ii) the number of outlets operated by Indomaret has substantially increased from approximately 12,000 in 2016 to approximately 16,900 in 2019, which represented an average annual growth rate of around 13.6%; and (iii) according to BPS, the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019. As such, we consider the embedded annual growth rates assumed are not excessive.

The Distribution Buffer is also considered acceptable and commercially justifiable taking into account the IAP-Indomaret Finished Goods Transactions being income-generating in nature and the Benefits for having the Distribution Buffer (Sales) as discussed in detail in the section headed “3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (a) IAP-LS Consumer Products Transactions” above.

Having considered the above, we are of the view that the Annual Caps for the IAP-Indomaret Finished Goods Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

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(g) *IAP-Indogrosir Finished Goods Transactions*

As advised by the management of Indofood, the transacted amounts under the IAP-Indogrosir Finished Goods Transactions increased by approximately 9.1% in 2018 and further increased by approximately 12.2% in 2019 (on an annualised basis).

We have discussed with the management of Indofood regarding the underlying reasons and noted that in assuming an embedded estimated annual growth of around 17.9%, 20.0% and 19.9% on the annual transaction amount for 2020, 2021 and 2022 respectively and in arriving at the 2020-2022 Annual Caps, they have principally taken into account of (i) the estimated increase in sales volume based on the increase in anticipated demand for the packaged cooking oil and oil derivative products; (ii) the prevailing sales prices of products to Indogrosir; (iii) the expected increase in revenue generated from the introduction of new products such as baby diapers, new flavours for dairy, noodle and flour based products of approximately 10-20% based on prior experiences; (iv) the number of outlets operated by Indogrosir increased from 21 in 2016 to 23 in 2019 and the management of Indofood has advised that it expects the number of outlets to grow at approximately 5% per annum; and (v) the Distribution Buffer.

Having considered the aforementioned, and in addition, noting that (i) the average historical annual growth rate of the transacted amount under the IAP-Indogrosir Finished Goods Transactions was around 10.6% during 2017 to 2019 (on annualized basis); (ii) the expected increase in market prices of the packaged cooking oil and oil derivative products and sugar is considered in line with the average monthly inflation rate of Indonesia between January 2015 and September 2019 of approximately 4.0% based on the statistics published by BPS; and (iii) also based on the statistics published by BPS, the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019, we consider the growth rates used for the anticipated Annual Caps for the coming three years as not excessive.

The Distribution Buffer is also considered acceptable and commercially justifiable taking into account the IAP-Indogrosir Finished Goods Transactions being income-generating in nature and the Benefits for having the Distribution Buffer (sales) as discussed in detail in the section headed “3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (a) IAP-LS Consumer Products Transactions” above. Having considered the above, we are of the view that the Annual Caps for the IAP-Indogrosir Finished Goods Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

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*(h) PDU-Indomaret Finished Goods Transactions*

As advised by the management of Indofood, the transacted amounts under the PDU-Indomaret Finished Goods Transactions marginally declined by approximately 1.0% in 2018 and increased by approximately 6.2% in 2019 (on an annualised basis).

We noted that an upward trend is generally expected by the management of Indofood for the Annual Caps for the PDU-Indomaret Finished Goods Transactions for the three years ending 31 December 2022. We understand that the Annual Caps embedded an estimated annual growth rate of around 21.4%, 20.0% and 19.3% on the annual transaction amount for 2020, 2021 and 2022 respectively, with an embedded average annual growth rate of around 20.2%. After discussion with the management of Indofood and we understand that in arriving at the 2020-2022 Annual Caps, factors considered included (i) the introduction of new products including different flavoured noodles and dairy products which, based on prior experience would lead to an approximate 10-20% growth in demand and sales; (ii) the unit sales price or products sold to Indomaret; (iii) the number of outlets operated by Indomaret has substantially increased from approximately 12,000 in 2016 to approximately 16,900 in 2019; and (iv) the Distribution Buffer.

Having considered that, (i) the expected increase in sales prices of products sold to Indomaret is considered in line with the average monthly inflation of Indonesia between January 2015 and September 2019 of approximately 4.0% based on the statistics published by BPS; (ii) according to BPS, the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019; and (iii) the plan for the introduction of new products in the coming three years, we would consider the embedded average annual growth in transaction amount of around 20.2% for the coming three years not excessive.

The Distribution Buffer is also considered acceptable and commercially justifiable taking into account the PDU-Indomaret Finished Goods Transactions are income-generating in nature and the Benefits for having the Distribution Buffer (sales) as discussed in detail in the section headed “3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (a) IAP-LS Consumer Products Transactions” above.

Having considered the above, we are of the view that the Annual Caps for the PDU-Indomaret Finished Goods Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

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(i) *PDU-Indogrosir Finished Goods Transactions*

As advised by the management of Indofood, the transacted amounts under the PDU-Indogrosir Finished Goods Transactions increased by approximately 3.3% in 2018 and further increased by approximately 6.5% in 2019 (on an annualised basis).

We are advised that the management of Indofood has generally adopted an embedded average annual growth rate of 20.7% on average in determining the Annual Caps for 2020-2022, and they have principally taken into account of that (i) the planned introduction of new products including different flavoured noodles and dairy products is expected to trigger sales by 10-20% on average based on prior year experiences; (ii) the expected increase in unit sales price of products sold to Indogrosir; (iii) the number of outlets operated by Indogrosir has increased from approximately 21 in 2016 to approximately 23 in 2019 and is assumed to increase at a rate of 5% per annum; and (iv) the Distribution Buffer.

Having considered that (i) the expected increase in sales prices of the products is considered in line with the average monthly inflation rate of Indonesia between January 2015 and September 2019 of approximately 4.0% based on the statistics published by BPS; (ii) also according to BPS, the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019; and (iii) the planned introduction of new products in the coming three years, we consider the embedded average annual growth in transaction amount of around 20.7% for the coming three years as not excessive.

The Distribution Buffer is also considered acceptable and commercially justifiable taking into account the PDU-Indogrosir Finished Goods Transactions are income-generating in nature and the Benefits for having the Distribution Buffer (sales) as discussed in detail in the section headed “3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (a) IAP-LS Consumer Products Transactions” above.

Having considered the above, we are of the view that the Annual Caps for the PDU-Indogrosir Finished Goods Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

(j) *Indomaret Rental Transaction*

Under the Indomaret Rental Transaction, IAP will rent its idle space of the premises to Indomaret as warehouses.

The Annual Caps for 2020 to 2022 is determined after taking into account (i) the proposed fixed annual rental fee of approximately Rp2,450 million (equivalent to approximately US\$0.2 million) for the term of the coming three years; and (ii) the adoption of a general buffer of 25% after taking into account the uncertainty in the exchange rate of US\$ to Rp.

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Having considered that:

- (i) according to a quotation from an independent property agency provided to us by the management of Indofood, the prevailing market monthly rental rate of similar industrial unit proximate to where the warehouse is located was around Rp.25,982 per square meters as at 29 October 2019. The monthly rental rate of around Rp.27,778 per square meters under the Indomaret Rental Transaction is higher than the quoted market rental rates, which is considered favourable to the Indofood Group; and
- (ii) the Distribution Buffer is considered acceptable and commercially justifiable taking into account the and the Indomaret Rental Transaction being income generating in nature and the Benefits for having the Distribution Buffer (Sales) as discussed in detail in the section headed “3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (a) IAP-LS Consumer Products Transactions” above,

we are of the view that the Annual Caps for the Indomaret Rental Transaction are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(k) LS Rental Transaction*

Under the LS Rental Transaction, IAP will rent its idle space of the premises to LS as warehouses.

The Annual Caps for 2020 to 2022 is determined after taking into account (i) the proposed fixed annual rental fee of approximately Rp4,005 million (equivalent to approximately US\$0.3 million) for the term of the coming three years; and (ii) the Distribution Buffer.

Having considered that:

- (i) according to a quotation from an independent property agency provided to us by the management of Indofood, the prevailing market monthly rental rate of similar industrial unit proximate to where the warehouse is located was around Rp. 83,333 per square meters as at 29 October 2019. The monthly rental rate of around Rp.106,965 per square meters charged under the LS Rental Transaction is higher than the quoted market rental rates, which is considered favourable to the Indofood Group; and

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- (ii) a Distribution Buffer is considered acceptable and commercially justifiable taking into account the LS Rental Transaction being income generating in nature and the Benefits for having the Distribution Buffer (sales) as discussed in detail in the section headed “3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (a) IAP-LS Consumer Productions Transactions” above,

we are of the view that the Annual Caps for the LS Rental Transaction are fair and reasonable as far as the Company and Independent Shareholders are concerned.

(l) *Pension Transaction*

As advised by the management of Indofood, the transacted amounts under the Pension Transaction decreased by approximately 25.0% in 2018 and remained stable in 2019 (on an annualised basis). We understand the declines were attributable to less employees and hence less dollar amount contribution required.

We are advised that the Annual Caps for 2020 to 2022 is determined with reference to (i) the annual contribution to the DBP to be transferred by IAP to the custodian account managed by Indolife (the “**Annual Contribution**”); and (ii) the Distribution Buffer.

Having considered that:

- (i) we are advised that each of the expected transaction amounts of the Pension Transactions between 2020 and 2022 is equivalent to the Annual Contribution which is calculated based on the annual total payroll to IAP’s employees of around Rp85 billion in 2019 and IAP’s contribution rate of 5% per annum;
- (ii) the management of Indofood confirms to us that, as the individual employees will be the beneficiaries of the custodian accounts managed by Indolife, the estimated transaction amounts under the Pension Transaction mainly cover the deposit of all the monthly contributions by IAP during the respective year, and the employees will account for all the management fees incurred and interest incomes which was invested by Indolife and will be responsible for payment of the management fees and/or other expenses (if any) in respect of the custodian and management services provided by Indolife; and
- (iii) the Distribution Buffer is considered acceptable and commercially justifiable taking into account the Benefits for having the Distribution Buffer (Purchase) as discussed in detail in the section headed “3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (d) Indomobil (Distribution) Transactions” above,

we are of the view that the Annual Caps for the Pension Transaction are fair and reasonable as far as the Company and Independent Shareholders are concerned.

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*(m) IAP-LPI Sugar Transaction*

We were advised that the IAP-LPI Sugar Transaction is a new transaction commenced on 6 June 2018. We note that the transacted amounts under the IAP-LPI Sugar Transaction was US\$0.5 million in 2018, and increased substantially in 2019 (on an annualised basis) by approximately 380.0% to approximately US\$2.7 million. We are given to understand that the increase in 2019 (on an annualised basis) was mainly due to the relatively lower transacted amount in 2018 as the IAP-LPI Sugar Transaction only commenced in June 2018.

We have discussed with the management of Indofood regarding the underlying reasons for the Annual Caps for 2020 to 2022 and understand they have principally taken into account (i) higher consumption expected from end customers; and (ii) the Distribution Buffer.

We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and Independent Shareholders after taking into consideration the following:

- (i) strong domestic demand and Indonesia's status as a net sugar importer have kept the domestic sugar industry relatively robust. Based on a report issued by USDA titled Indonesia Sugar Annual Report 2019, Indonesia's sugar sector remains highly regulated in 2018/2019, despite a possible output fall in 2019/20, the continuous growth in population and the food and beverage sector would continue to fuel the demand for sugar;
- (ii) we understand that the Annual Caps embedded an average annual growth rate of around 14.6%. Considering the Company has confirmed this to be a new series of transaction and given the fact that the transacted amount in 2019 on an annualised basis has already increased to approximately US\$2.4 million from approximately US\$0.5 million in 2018, we are of the view that the embedded average annual growth rate for the coming three years is not unjustifiable;
- (iii) as stated in section "3.2 Principal terms of the 2020-2022 Distribution Business Transactions – (f) IAP-LPI Sugar Transaction" above, the pricing basis for the IAP-LPI Transaction is considered to be fair and reasonable and sufficient internal procedures and policies are in place; and
- (iv) the Distribution Buffer is considered acceptable and commercially justifiable taking into account the Benefits for having the Distribution Buffer (Purchase) as discussed in detail in the section headed "3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (d) Indomobil (Distribution) Transactions" above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(n) *IAP-IDP Transaction*

We were advised that the IAP-IDP Transaction is a new transaction commenced on 6 June 2018. We note that the transaction amounts under the IAP-IDP Transaction was approximately US\$1.2 million in 2018 and approximately US\$0.1 million in 2019 (on an annualised basis). We have discussed with the management of Indofood on the change in transaction value and we understand that the transaction amount in 2018 was the total sales value generated from the sales of IAP products through IDP, whereas the transaction amount in 2019 (on an annualised basis) is the actual commission paid/to be paid by IAP to IDP as a percentage of total sales value. If Indofood was to align the reporting methodology, the transacted amounts under the IAP-IDP Transaction would have been stable at approximately US\$0.1 million for both 2018 and 2019 (on an annualised basis). We understand the Annual Caps for 2020-2022 is also based on the commission payable to IDP.

We have discussed with the management of Indofood regarding the underlying reasons for the Annual Caps for 2020 to 2022 and we understand that they have principally taken into account (i) boom in ecommerce business; and (ii) the adoption of a Distribution Buffer.

We understand that the expected transaction amount in 2020 represents an estimated growth of around 23.1% over the transaction amount in 2019 (on an annualised basis) and the Annual Caps for 2021 and 2022 are expected to remain steady. We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and Independent Shareholders after taking into consideration the following:

- (i) based on the 2018 annual report published by the Ministry of Communication and Information Technology of Indonesia, the e-commerce sector is expecting a 3-4 times growth by 2025 to approximately US\$53 billion from US\$12.2 billion in 2018. The estimated growth rate embedded in the Annual Caps are therefore, not considered excessive; and
- (ii) the adoption of the Distribution Buffer is considered acceptable and commercially justifiable taking into account the Benefits for having the Distribution Buffer (Purchase) as discussed in detail in the section headed "3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (d) Indomobil (Distribution) Transactions" above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(o) IAP-ING Transaction*

We were advised that the IAP-ING Transaction is a new transaction commenced on 6 June 2018. We note that the transacted amounts under the IAP-ING Transaction was approximately US\$1.2 million in 2018, and remained steady in 2019 (on an annualised basis).

We have discussed with the management of Indofood regarding the underlying reasons considered when arriving at the Annual Caps for 2020 to 2022. We understand that they have used an embedded average growth rate of approximately 7.7% for the next three years and by principally taking into account (i) increases in demand for ING products; and (ii) the adoption of the Distribution Buffer.

We concur with the Directors' view that the respective Annual Caps are reasonable and in the interests of both the Company and Independent Shareholders after taking into consideration the following, in conjunction with our discussion with the management of Indofood:

- (i) based on the statistics published by BPS, the average monthly inflation rate of Indonesia between January 2015 and September 2019 was approximately 4.0%;
- (ii) the average annual growth on monthly expenditure per capita on food and non-food products in Indonesia was approximately 9.8% between 2013 to 2018;
- (iii) a Distribution Buffer is considered acceptable and commercially justifiable taking into account the Benefits for having the Distribution Buffer (Purchase) as discussed in detail in the section headed "3.3 Annual Caps for the 2020-2022 Distribution Business Transactions – (d) Indomobil (Distribution) Transactions" above.

*(p) Conclusion*

Having considered that, in particular, the reasons and factors discussed above in relation to our assessment of the Annual Caps for each of the 2020-2022 Distribution Business Transactions, we are of the view that the proposed aggregated Annual Caps for the 2020-2022 Distribution Business Transactions are set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of both the Company and Independent Shareholders as a whole.

#### **4. Flour Business**

##### ***4.1 Background of and reasons for the 2020-2022 Flour Business Transactions***

As disclosed in the letter from the Board of the Circular, Indofood is one of the world's largest manufacturers of wheat-based instant noodles by volume, one of the largest plantation companies by area, as well as the largest flour miller in Indonesia.

Bogasari is a division of Indofood engaged in the production of flour and pasta products. As the largest integrated flour miller in Indonesia, Bogasari operates four flour mills in Jakarta, Surabaya, Cibitung and Tangerang with a total annual capacity of around 4 million tonnes. A comprehensive range of flour products are sold under established brands such as Cakra Kembar, Segitiga Biru, Kunci Biru and Lencana Merah, while its convenient premix flour is branded under Chesa, Bogasari continued to be the domestic market leader with higher sales in both domestic and export markets.

As stated in the annual report of Indofood for the financial year ended 31 December 2018, Bogasari's total sales value increased by around 11.2% to approximately Rp21.25 trillion in 2018 from approximately Rp19.11 trillion in 2017 due to growth in volume of products sold as well as higher average sales price in response to an increase in cost of wheat. It was also disclosed that continued growth is projected for the domestic flour industry based on improved macroeconomic conditions and higher affluence among Indonesia's rising middle-class underscore increasing demand for flour-based foods.

Indofood Group has been selling flour and/or pasta products and/or other by-products to each of NIC, FFI, Indogrosir, Shanghai Resources, Indomaret, PTIS and IDP for an average of 6 years, all of which are income-generating to the Indofood Group. We also understand that the manufacturing, consulting, human resources outsourcing and transportation services under the 2020-2022 Flour Business Transactions are required for normal operation and under ordinary and usual course of business of the Flour Business. As such, as long as the pricing and other terms of the 2020-2022 Flour Business Transactions are fair and reasonable to the Group and its Shareholders as a whole, it is beneficial for the Indofood Group to enter into the 2020-2022 Flour Business Transactions so as to provide flexibility, but not obligation, for the Indofood Group in its selection of sale channels and service suppliers.

##### ***4.2 Principal terms of the 2020-2022 Flour Business Transactions***

As disclosed in the letter from the Board in the Circular, agreements in respect of the existing 2017-2019 Flour Business Transactions will expire on 31 December 2019. Subject to Independent Shareholders' approval having been obtained in respect of the 2020-2022 Flour Business Transactions, the framework agreements in respect of the transactions numbered (1) to (12) in the letter from the Board in the Circular will be automatically renewed from 1 January 2020 for a term of three years, expiring on 31 December 2022, on the same terms as those of the existing agreements (together, the "**Flour Agreements**").

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The arrangements under the renewed agreements described below will commence on 1 January 2020 and will have a duration of three years, expiring on 31 December 2022 (the “**2020-2022 Flour Business Transactions**”). Subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the relevant framework agreement is subject to, including, but not limited to, the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, each of the framework agreements will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier by any party to the relevant framework agreement.

We have reviewed the corresponding framework agreements in relation to the Flour Agreements and note that the pricing basis in respect of each of the Flour Agreements will be determined from time to time based on the written mutual agreement between the parties, with due regard to prevailing market conditions.

The 2020-2022 Flour Business Transactions include:

- (1) sale of flour by Bogasari to NIC (the “**NIC Flour Transactions**”);
- (2) sale of spaghetti and flour by Bogasari to FFI (the “**FFI Flour Transactions**”);
- (3) provision of consulting and technical services for project development by IKU to Indofood Group (the “**Consulting Services**”);
- (4) sale/rental of cars and spare parts and provision of car services by the Indomobil Group to the Indofood Group (the “**Indomobil (Flour) Transactions**”);
- (5) the Indofood Group use human resources outsourcing services from SDM (the “**Indofood-SDM (Flour) Transactions**”);
- (6) the Indofood Group use human resources outsourcing services from PTM (the “**Indofood-PTM Transactions**”);
- (7) sale of finished goods by Bogasari to Indogrosir (the “**Bogasari-Indogrosir Finished Goods Transactions**”);
- (8) sale of pasta products by Bogasari to Shanghai Resources (the “**Shanghai Resources (Pasta) Transactions**”);
- (9) sale of finished goods by Bogasari to Indomaret (the “**Bogasari-Indomaret Finished Goods Transactions**”);
- (10) sale of by-product by Indofood Group to PTIS (the “**PTIS (by-product) Transactions**”);

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- (11) provision of manufacturing services by Eastern Pearl Flour Mills (“**EPFM**”) to Indofood Group and sale of finished goods by Indofood Group to Interflour Vietnam Ltd. (the “**Interflour Transactions**”); and
- (12) sale of finished goods by Indofood Group to IDP (the “**IDP Finished Goods Transactions**”).
- (a) *NIC Flour Transactions, FFI Flour Transactions, Bogasari-Indogrosir Finished Goods Transactions, Shanghai Resources (Pasta) Transactions, Bogasari-Indomaret Finished Goods Transactions, PTIS (by-product) Transactions and IDP Finished Goods Transactions*

As provided by Indofood, the Flour Agreements in relation to transactions involving sales of goods by the Indofood Group such as the NIC Flour Transactions, FFI Flour Transactions, Bogasari-Indogrosir Finished Goods Transactions, Shanghai Resources (Pasta) Transactions, Bogasari-Indomaret Finished Goods Transactions, PTIS (by-product) Transactions and IDP Finished Goods Transactions, will consist of terms and conditions similar to those offered to independent third parties and on normal commercial terms, and will be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which is expected to be no more favourable than those offered to other independent third parties. In this regard, we have requested Indofood to provide us with, among other things, the relevant transaction records/invoices of similar transactions with independent third parties and we note that the principal terms of the Flour Agreements as regard the NIC Flour Transactions, FFI Flour Transactions, Bogasari-Indogrosir Finished Goods Transactions, Shanghai Resources (Pasta) Transactions, Bogasari-Indomaret Finished Goods Transactions, PTIS (by-product) Transactions) and IDP Finished Goods Transactions, have been similar to those offered to independent third parties for similar products. As observed from the transaction records/invoices, the prices charged by the Indofood Group to its relevant connected parties have been no less favourable than the price charged to independent customers for a similar product. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future prices/fees under the aforesaid transactions such that, if applicable, the then prevailing selling prices/fees of similar comparable transactions will be used as market references. Considering that the prices/fees will be determined with reference to the prevailing market conditions, we consider that the pricing basis for the NIC Flour Transactions, FFI Flour Transactions, Bogasari-Indogrosir Finished Goods Transactions, Shanghai Resources (Pasta) Transactions, Bogasari-Indomaret Finished Goods Transactions, PTIS (by-product) Transactions, and IDP Finished Goods Transactions are fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

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(b) *Consulting Services*

As stated in the letter from the Board in the Circular, IKU is 100% owned by companies controlled by Mr. Salim and is engaged in the business of consultancy and engineering in Indonesia. As advised by the management of Indofood, IKU is considered one of the most reputable consultant companies which provides services in relation to engineering and project management in Indonesia.

As advised by Indofood, the Consulting Services provided by IKU include various consulting and technical services for project management such as onsite supervision of construction projects. We understand such Consulting Services are beneficial to the Company in ensuring smooth execution of its projects and for quality control purposes.

We have reviewed the Flour Agreement as regard the Consulting Services, and we note that the fees/prices charged under the Consulting Services shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which is expected to be no less favourable than independent third parties. As advised by the management of Indofood, it is the internal procedure and policy of the Indofood Group to conduct bidding process for similar consulting services it requires to ensure that the price and terms offered by connected parties are fair, reasonable and comparable to those offered by independent third parties. Such bidding process would involve the request and comparison of at least two quotations for services of the same type and quality from qualified suppliers. Other than pricing, supplier reputation, quality of services, capabilities (delivery, safety etc.) and track records would also be considered during the review and evaluation process. Management of Indofood has further advised us that there were only minimal transactions executed under the Consulting Services with IKU for the two years ended 31 December 2018 because IKU were not successful in the bidding process due to other bidders being able to either offer a better quote and/or having better technical capability or qualifications to complete the service required for the projects. Based on the understanding obtained from the management of Indofood, IKU won more bids in 2019 because it was able to submit a better quote and/or it was selected on the basis of its technical capability or qualifications being a better match for the services required as compared to other bidders. We have requested for and reviewed the relevant quotations in 2019 collected by Indofood Group and we note that on the basis the same scope of work was offered, the fees charged as regard the Consulting Services by IKU have been more favourable to the Indofood Group compared with quotes offered by independent third parties. In light of the aforementioned, we are of the view that the pricing basis for the Consulting Services is fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

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In view of, the above and given (i) that the Group will not be obliged to enter into any transactions under the Consulting Services and it will only allow IKU to be one of the available choice(s) for the Indofood Group's consideration; (ii) the benefits having been and to be brought about pursuant to the Consulting Services; and (iii) that the service fees involved shall be no less favourable compared with those offered by independent third parties, we concur with the view of the Directors that the Flour Agreements as regard the Consulting Services is beneficial to the Company and Independent Shareholders as a whole.

(c) *Indomobil (Flour) Transactions*

As provided by the management of Indofood, services provided by the Indomobil Group under the Indomobil (Flour) Transactions include (i) sales and/or renting of cars; (ii) provision of car services; and (iii) sales of spare parts, to Indofood Group. Indofood Group has been using the aforesaid services provide by the Indomobil Group since 1993.

We have reviewed the Flour Agreements as regard the Indomobil (Flour) Transactions, and we note that the price/rent/fees are mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions which are expected to be no less favourable to the Indofood Group than to independent third parties. We are further advised by the management of Indofood that all the Indomobil (Flour) Transactions have comparable transactions with independent third parties. In this regard, we have requested Indofood to provide us with, among other things, relevant transaction records/quotations for purchases of vehicles and car services provided by independent third parties and we note that the principal terms under the existing agreements as regard the Indomobil (Flour) Transactions have been no less favourable than those made available to independent third parties by Indomobil Group. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future price/rent/fees under the Indomobil (Flour) Transactions. We consider that the pricing basis is fair and reasonable, on normal commercial terms and in the interests of both the Company and Independent Shareholders as a whole.

We are advised by the management of Indofood that the services provided by the Indomobil Group have been satisfactory. In the view of (i) the Indofood Group and the Indomobil Group have a long business relationship and the Indomobil Group's services have been considered satisfactory; (ii) any changes might lead to operation interruption and extra expenses in terms of cost and time; and (iii) as discussed in the paragraph above, the price/rent/rates to be charged by the Indomobil Group shall be no less favourable when compared to the price/rent/rates charged by independent third parties, we concur with the view of the Directors that the entering into of the Flour Agreements as regard the Indomobil (Flour) Transactions is beneficial to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(d) *Indofood-SDM (Flour) Transactions and Indofood-PTM Transactions*

As provided by the management, the Indofood-SDM (Flour) Transactions and Indofood-PTM Transactions mainly governs transactions in relation to human resources outsourcing arrangements between SDM and PTM respectively to Indofood Group. Indofood Group has been using the aforesaid services provide by SDM and PTM since 2015.

We have reviewed the Flour Agreements as regard the Indofood-SDM (Flour) Transactions and Indofood-PTM Transactions, and we note that the fees are determined by and mutually agreed between the relevant contracting parties from time to time and based on prevailing market conditions which are expected to be no less favourable to the Indofood Group than to independent third parties. We are further advised by the management of Indofood that all the Indofood-SDM (Flour) Transactions and Indofood-PTM Transactions have comparable transactions with independent third parties. In this regard, we have requested Indofood to provide us with, among other things, the relevant quotations for similar services provided by independent third parties, and we note that the principal terms under the existing agreements as regard the Indofood-SDM (Flour) Transactions and Indofood-PTM Transactions have been no less favourable than those made available to the Indofood Group from independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting the future fees under the Indofood-SDM (Flour) Transactions and Indofood-PTM Transactions. We consider that the aforesaid pricing basis is fair and reasonable, on normal commercial terms and the entering into of the Flour Agreements as regards the Indofood-SDM (Flour) Transactions and Indofood-PTM Transactions is in the interests of both the Company and Independent Shareholders as a whole.

(e) *Interflour Transactions*

We have reviewed the Flour Agreement and noted that the Interflour Transactions consists of (i) the purchase of wheat from EPFM and manufacturing services (extraction of wheat to flour) provided by EPFM, which is owned as to 49% by companies controlled by Mr. Salim, to manufacture flour and related products by Eastern Pearl Flour Mills according to specifications provided by Bogasari; and (ii) the sale of finished goods by Indofood Group to Interflour Vietnam.

We note that the fees/prices charged for the manufacturing services provided by EPFM, shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions. We understand Indofood Group would, from time to time, purchase certain types of wheat required for the purpose of manufacturing and the production of flour from EPFM. Indofood has advised that the purchase price would be determined with reference to the export pricing and freight charge schedule published periodically by the U.S. Wheat Associates (“USW”). We further understand from Indofood that USW is an independent third-party export market development organization for the U.S. wheat industry and based on our discussion with the Indofood management, it is common for the wheat and flour industry players including themselves to price their wheat based on this schedule. We have also discussed with the management of Indofood that they would only purchase the required types of wheat from EPFM if Bogasari does not carry the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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quantity or the required type in its own inventory. In addition, the Indofood management has also confirmed that if the price quotes from EPFM is greater than the reference price published by USW which is considered to be the market price, the required product will be sourced from other parties instead of EPFM. As such, based on the understanding obtained from Indofood, the purchase of wheat from EPFM is not an obligation, but merely a flexibility and a choice available for Indofood to utilise if and when necessary.

We understand the fees charged by the EPFM for the manufacturing services (i.e. extraction of wheat to flour) is approximately 0.6% more expensive per kilogram of flour produced as compared to the cost of production of the same products by Bogasari in its own mills. As advised by the management of Indofood, manufacturing services are required from EPFM because of production capacity limitations in Bogasari's own facilities and the fact that EPFM is one of the largest mills in east Indonesia. We also understand from the management of Indofood that given the products manufactured by EPFM on behalf of Indofood are specifically tailored according to unique recipes, it would not make commercial sense for Indofood to outsource this manufacturing process to other mills around the region which are either of a smaller scale or are owned by Indofood's competitors. As such, we further understand from the management of Indofood that given the Indofood Group's plans to expand its Flour Business in the eastern regions of Indonesia, and taking into consideration of transportation costs associated if Indofood Group was to produce the products elsewhere, it would be the most efficient for it to engage EPFM to produce the specified products. In this respect, we consider the fees paid by Indofood for the wheat and manufacturing services provided by EPFM fair and reasonable and in the interests of both the Company and Independent Shareholders as a whole.

We note that the fees/prices charged for the finished goods sold to Interflour Vietnam shall be mutually agreed between the relevant contracting parties from time to time based on prevailing market conditions. We have discussed and understand from the Indofood management that the finished goods sold are primarily manufactured flour products produced in Bogasari's production facility for export to Vietnam and such transaction is necessary because the total costs associated with production in Interflour Vietnam's own production facilities in eastern Indonesia and freight charges would be higher for export purposes. We understand the fees charged for selling the finished goods to Interflour Vietnam is with reference to and expected to be no less than prices of similar products sold to independent third-party customers. We have requested for, among other things, the relevant invoices for sales of similar products to independent third parties and transaction records for the Interflour Transactions in relation to the sales of finished goods to Interflour Vietnam and we note that the principal terms have been no more favourable to Interflour Vietnam than those made available to independent third parties. We are further advised by the management of Indofood that a similar approach and basis will be used in setting sales prices for future transactions. As such, we are of the view that the pricing basis for the Interflour Transactions in relation to the sale of finished goods to Interflour Vietnam is fair and reasonable, on normal commercial terms and in the interests of both the Company and Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of the above, we concur with the view of the Directors that the entering into of the Flour Agreements as regard the Interflour Transaction is beneficial to the Company and its Independent Shareholders as a whole.

### 4.3 Annual Caps for the 2020-2022 Flour Business Transactions

Set out below are details of the actual transacted amount of each of the Flour Transactions for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019 respectively, and the respective Annual Caps for the 2020-2022 Flour Business Transactions:

	Actual transacted amount			Proposed Annual Caps		
	For the year ended 31		For the	For the year ending 31 December		
	December		nine months	2020	2021	2022
	2017	2018	ended 30			
US\$ million	US\$ million	September	US\$ million	US\$ million	US\$ million	
		2019				
		US\$ million				
NIC Flour Transactions	15.8	15.0	12.8	25.9	30.2	34.5
FFI Flour Transaction	1.0	1.1	0.8	1.6	1.9	2.2
Consulting Services	0.0	0.0	0.0	2.2	2.3	2.4
Indomobil (Flour)						
Transactions	2.1	2.9	3.1	6.1	7.8	10.4
Indofood-SDM (Flour)						
Transactions	5.7	5.5	4.2	8.7	10.4	12.1
Indofood-PTM Transactions	2.5	2.4	1.8	3.5	3.5	3.5
Bogasari-Indogrosir Finished						
Goods Transactions	9.1	8.6	5.1	12.1	14.7	17.3
Shanghai Resources (Pasta)						
Transactions	–	0.0	–	0.5	0.6	0.6
Bogasari-Indomaret Finished						
Goods Transactions	1.3	4.6	4.4	9.4	12.1	15.7
PTIS (by-product)						
Transactions	–	6.5	2.1	11.7	13.8	15.6
Interflour Transactions	–	0.6	1.3	7.8	10.9	14.0
IDP (Finished Goods)						
Transactions	–	0.0	0.2	0.5	0.6	0.7
<b>TOTAL</b>	<b>37.5</b>	<b>47.2</b>	<b>35.8</b>	<b>90.0</b>	<b>108.8</b>	<b>129.0</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(a) *NIC Flour Transactions*

We note that the actual transacted amount under the NIC Flour Transactions fell by around 5.1% in 2018 and subsequently grew by around 14.0% in 2019 (on an annualised basis). We were advised by the management of Indofood that the fluctuations were due to changes in purchase patterns of NIC as from time to time, NIC would also purchase from independent third-party suppliers due to better pricing and terms.

We noted that an upward trend is generally expected by the management of Indofood for the Annual Caps for the three years ending 31 December 2022. We have discussed with the management of Indofood regarding the underlying reasons and noted that, when arriving at the 2020-2022 Annual Caps with an average embedded growth rate of around 17.3%, they have principally taken into account (i) an expected increase in demand as a result of the expected increase in NIC's bread production in the coming three years; and (ii) a general buffer of 25% (the "**Flour Buffer**") to allow flexibility in accommodating (a) the uncertainty in the fluctuation of exchange rate of US\$ to Rp in view of the increased volatility in spot exchange rate of Rp to US\$; and (b) possible unexpected increase in transaction amount due to one-off and/or occasional event(s).

We understand that the Annual Caps embedded an average annual growth rate of around 17.3%. Having considered that (i) the latest historical growth in transacted amount by around 14.0% in 2019 (on an annualized basis) and the expected increase in demand of flour by NIC as a result of expansion of its bread production; and (ii) according to BPS, the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019, we consider the average embedded annual growth rate to be commercially justifiable.

The Flour Buffer is also considered acceptable taking into account the FX Volatility and that the NIC Flour Transactions which are income generating in nature, the Flour Buffer, apart from providing provision for the FX Volatility, will also provide flexibility for the Indofood Group to enjoy additional income resulting from any possible unexpected increase in transaction amount due to one-off and/or occasional event(s), and mitigate the burden of the Group to bear additional time and costs to conduct revision of the relevant annual cap(s) (collectively, the "**Benefits for having the Flour Buffer (Sales)**"), which are considered commercially justifiable.

Having considered that above, we are of the view that the Annual Caps for the NIC Flour Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(b) FFI Flour Transactions*

We note that the actual transacted amount under the FFI Transactions grew by 10.0% in 2018 and remained relatively steady in 2019 (on an annualised basis). We were advised by the management of Indofood that this was due to FFI's new internal policy to use at least two suppliers.

We noted that an upward trend is generally expected by the management of Indofood for the Annual Caps for the FFI Flour Transactions for the three years ending 31 December 2022. We have discussed with the management of Indofood regarding the underlying reasons and noted that they have principally taken into account (i) the expected increase in number of restaurant outlets of FFI; and (ii) the Flour Buffer.

We understand that the Annual Caps embedded an embedded average annual growth rate of around 17.9%. Having considered that (i) as provided by the management of Indofood, FFI currently operates around 714 restaurant outlets in Indonesia in 2019 which is an approximate 32.2% increase from 2016; and (ii) according to BPS, the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019, we consider the anticipated average embedded annual growth rate in transaction amount is commercially justifiable.

The Flour Buffer is also considered acceptable and commercially justifiable taking into account the FFI Flour Transactions being income generating in nature and the Benefits for having the Flour Buffer (Sales) as discussed in detail in paragraph headed "4.3 Annual Caps for the 2020-2022 Flour Business Transactions - (a) NIC Flour Transactions" above.

Having considered that above, we are of the view that the Annual Caps for the FFI Flour Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(c) Consulting Services*

The transacted amounts under the Consulting Services remained at no more than US\$0.1 million for each of 2017, 2018 and 2019 (on an annualised basis).

We noted that an upward trend is generally expected by the management of Indofood in the Annual Caps for the Consulting Services. We understand that other than the Flour Buffer which is assumed when arriving the Annual Caps for 2020-2022, that other than the Flour Buffer which is assumed when arriving the Annual Caps for 2020-2022, the expected amounts transacted under the Consulting Services would depend on projects on hand based on discussions with the management of Indofood we note the expected Annual Caps for 2020, 2021 and 2022 of US\$2.2 million, US\$2.3 million and US\$2.4 million are determined based on its project pipeline, with two new projects requiring Consulting Services as well as the Flour Buffer. Furthermore, we understand the Annual Caps for each of the years 2020-2022 was estimated with reference to budgets for the projects and with reference to costs incurred for other projects of similar scale carried out by the Flour Business.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Flour Buffer, apart from providing provision for the FX Volatility, will also provide flexibility for the Indofood Group to accommodate unexpected future variations in its demand for products/services which may be caused by one-off and/or occasional event(s), and mitigate the chance of operational disruption and the burden of the Group to bear additional time and costs to conduct revision of the relevant annual cap(s) (collectively, the “**Benefits for having the Flour Buffer (Purchase)**”), which are considered commercially justifiable.

As such, we are of the view that the Annual Caps for Consulting Services transactions are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

*(d) Indomobil (Flour) Transactions*

We are advised by management of Indofood that the transacted amounts under the Indomobil (Flour) Transactions for 2018 and 2019 increased by approximately 38.1% and 41.4% respectively as a result of the combination of the Vehicle Replacement Program and higher demand to transport Indofood Group’s products.

We have discussed with the management of Indofood regarding the underlying reasons and noted that in estimating the embedded estimated annual growth rates of around 26.0% on the annual transaction amounts for 2020 to 2022, and for the Annual Caps for each of the 2020, 2021 and 2022, and for the Annual Caps for each of the 2020, 2021 and 2022, they have principally taken into account of (i) the ongoing vehicle replacement program for the Flour Business; and (ii) the adoption of the Flour Buffer.

Having considered the fact that (i) the transacted amounts for Indomobil (Flour) Transactions for 2018 and 2019 (on an annualised basis) increased by approximately 38.1% and 41.4% as aforementioned; (ii) the expected growth in other Flour Transactions relating to sales of flour and/or pasta products by Indofood Group in the coming three years is expected to correspondingly increase the demand for the Indomobil (Flour) Transactions; and (iii) the possible increase in the leasing rate or purchase price of vehicles and spare parts or services in view of the average monthly inflation rate of Indonesia between January 2015 and September 2019 of around 4.0% based on information published by BPS, we are of the view that the Annual Caps for the Indomobil (Flour) Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

In addition, the Flour Buffer of 25% is considered acceptable and commercially justifiable taking into account the Benefits for having the Flour Buffer (Purchase) as discussed in detail in paragraph headed “4.3 Annual Caps for the 2020-2022 Flour Business Transactions – (c) Consulting Services” above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(e) Indofood-SDM (Flour) Transaction*

As advised by the management of Indofood, the transacted amounts under the Indofood-SDM (Flour) Transaction decreased by approximately 3.5% and increased by a marginal 1.8% respectively in 2018 and 2019 (on an annualised basis).

We have discussed with the management of Indofood regarding underlying reasons and noted that, when arriving at the assumed embedded average annual growth rate of 20.2% for the next three years ending 31 December 2022 and in determining the Annual Caps for 2020-2022, and in determining the Annual Caps for 2020-2022 they have principally taken into account (i) further increases in wages of approximately 8.5%; and (ii) the adoption of a Flour Buffer.

Having considered that:

- (i) the Minister of Labor issued a circular B-M 308, 2019 which mandates a minimum wage increases of approximately 8.5% starting from January 2020 and based on the statistics published by BPS, the average monthly inflation rate of Indonesia between January 2015 and September 2019 was approximately 4.0%; and
- (ii) the Flour Buffer of 25% is considered acceptable and commercially justifiable taking into account the Benefits for having the Flour Buffer (Purchase) as discussed in detail in paragraph headed “(c) Consulting Services” above,

we are of the view that the Annual Caps for Indofood-SDM (Flour) Transaction are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

*(f) Indofood-PTM Transaction*

As advised by the management of Indofood, the transacted amounts under the Indofood-PTM Transaction decreased by approximately 4.0% and was flat respectively in 2018 and 2019 (on an annualised basis).

We have discussed with the management of Indofood regarding the underlying reasons and in assuming an embedded average annual growth rate of 5.6% for the next three years ending 31 December 2022 and in determining the Annual Caps for 2020-2022, and in determining the Annual Caps for 2020-2022 they have principally taken into account (i) further increases in wages in the next three years ending 31 December 2022; and (ii) the adoption of a Flour Buffer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that:

- (i) the expected growth in other Flour Transactions involving sales of flour or flour related finished goods such as pasta (with Annual Caps growing at an average growth rate of approximate rate of over 20% between 2020-2022) which is expected to lead to a higher demand of human resources outsourcing services;
- (ii) the Minister of Labor issued a circular B-M 308, 2019 which mandates a minimum wage increases of approximately 8.5% starting from January 2020 and based on the statistics published by BPS, the average monthly inflation rate of Indonesia between January 2015 and September 2019 was approximately 4.0%; and
- (iii) the Flour Buffer of 25% is considered acceptable and commercially justifiable taking into account Benefits for having the Flour Buffer (Purchase) as discussed in detail in paragraph headed “4.3 Annual Caps for the 2020-2022 Flour Business Transactions - (c) Consulting Services” above,

we are of the view that the Annual Caps for Indofood-PTM Transaction are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

*(g) Bogasari-Indogrosir Finished Goods Transactions*

As advised by the management of Indofood, the transacted amounts under the Bogasari-Indogrosir Finished Goods Transactions marginally declined by approximately 5.5% in 2018 and further declined by 20.9% in 2019 (on an annualised basis). We understand the decreases were due to drop in sales of Indogrosir as a result of higher retail sales prices of Indofood’s flour related products charged by Indogrosir because of Indogrosir’s limited price promotion activities in 2019.

We have discussed with the management of Indofood regarding the underlying reasons and noted that, in assuming an embedded average annual growth rate of 27.0% for the next three years ending 31 December 2022 and in determining the Annual Caps for 2020-2022, they have principally taken into account (i) the planned resumption of price promotion activities of Indogrosir; (ii) the estimated increase in sales volume of products sourced from Bogasari and the expected continued innovation of products in particular packaging of products supplied by Bogasari to Indogrosir under the Bogasari-Indogrosir Finished Goods Transactions; and (ii) the Flour Buffer.

Having considered that (i) the introduction of new and improved packaging for its key products, which based on the management of Indofood, would likely be expected to trigger an increase in sales by approximately 10-20% based on previous experience; and (ii) according to BPS, the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019, we consider the embedded average annual growth in transaction amount of around 27.0% for the coming three years is not excessive.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Flour Buffer is also considered acceptable and commercially justifiable taking into account the Bogasari-Indogrosir Finished Goods Transactions are income generating in nature and the Benefits for having the Flour Buffer (Sale) as discussed in detail in paragraph headed “4.3 Annual Caps for the 2020-2022 Flour Business Transactions - (a) NIC Flour Transactions” above.

Having considered the above, we are of the view that the Annual Caps for the Bogasari-Indogrosir Finished Goods Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(h) Shanghai Resources (Pasta) Transactions*

As advised by the management of Indofood, this transaction only commenced in 2018 and the transacted amount has been minimal due to fierce competition in the PRC.

We have discussed with the management of Indofood regarding the underlying reasons and noted that, in arriving at the 2020-2022 Annual Caps of US\$0.5 million, US\$0.6 million and US\$0.6 million respectively, they have principally taken into account (i) the introduction of new packaging for its products which would normally be expected to improve sales by approximately 10-20%; (ii) the introduction of competitive strategies such as price promotion by Shanghai Resources; and (iii) the Flour Buffer.

In addition, the Flour Buffer is considered acceptable and commercially justifiable taking into account the Shanghai Resources (Pasta) Transactions being income generating in nature and the Benefits for having the Flour Buffer (Sale) as discussed in detail in paragraph headed “4.3 Annual Caps for the 2020-2022 Flour Business Transactions - (a) NIC Flour Transactions” above.

Having considered the above, we are of the view that the Annual Caps for the Shanghai Resources (Pasta) Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(i) Bogasari-Indomaret Finished Goods Transactions*

As advised by the management of Indofood, the transacted amounts under the Bogasari-Indomaret Finished Goods Transactions increased substantially by around 253.8% and 28.3% in 2018 and in 2019 (on an annualised basis) respectively. We understand the increases, in particular, were mainly due to additional outlets operated by Indomaret during the period. Based on the information provided, the number of outlets operated by Indomaret has increased from approximately 12,000 in 2016 to approximately 16,900 in 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted that an upward trend is generally expected by the management of Indofood for the Annual Caps for the Bogasari-Indomaret Finished Goods Transactions for the three years ending 31 December 2022. We have discussed with the management of Indofood regarding the underlying reasons and noted that, in arriving at the Annual Caps for 2020-2022, they have principally taken into account (i) further growth as a result of opening of new outlets of Indomaret by approximately 5% on an annual basis; and (ii) the Flour Buffer.

We understand that the Annual Caps embedded an estimated annual growth rate of around 27.1%, 29.3% and 29.9% for 2020, 2021 and 2022 respectively, with an embedded average annual growth rate of around 28.8%. Having considered that (i) the growth in the latest historical transaction amount in 2019 (on an annualised basis) of around 28.3%; (ii) the growth in number of outlets operated by Indomaret increased from 12,000 in 2016 to approximately 16,900 in 2019 and the further growth in sales to Indomaret of around 5% to be expected as a result of the opening of new outlets in the coming three years; and (iii) in view of the average annual growth on monthly expenditure per capita on food group in Indonesia was approximately 9.7% between 2015 to 2019 as per the BPS, we consider the use of growth rates to estimate each of the Annual Caps for 2020, 2021 and 2022 not excessive.

The Flour Buffer is also considered acceptable and commercially justifiable taking into account the Bogasari-Indomaret Finished Goods Transactions being income generating in nature and the Benefits for having the Flour Buffer (Sale) as discussed in detail in paragraph headed “4.3 Annual Caps for the 2020-2022 Flour Business Transactions - (a) NIC Flour Transactions” above.

Having considered the above, we are of the view that the Annual Caps for the Bogasari-Indomaret Finished Goods Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(j) PTIS (by-product) Transactions*

As advised by the management of Indofood, this transaction only commenced as of 6 June 2018. We note that the transacted amount under the PTIS (by-product) Transactions decreased by approximately 56.9% in 2019 (on an annualised basis) due to PTIS temporary cease in production of certain recipes of animal feed by PTIS which would require the use of flour by-products as one of the ingredients.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted that the Company expects a general increase in Annual Caps for the PTIS Transactions for the three years ending 31 December 2022. We have discussed with the management of Indofood regarding the underlying reasons and was brought to the understanding that PTIS is expecting to resume production of the aforementioned recipes involving flour by-products as one of the ingredients in 2020. Separately, we consider the use of the Flour Buffer to be acceptable and commercially justifiable taking into account the PTIS (by-product) Transactions being income generating in nature and the Benefits for having the Flour Buffer (Sale) as discussed in detail in paragraph headed “4.3 Annual Caps for the 2020-2022 Flour Business Transactions – (a) NIC Flour Transactions” above. Having considered the above, we are of the view that the Annual Caps for the PTIS (by-product) Transactions are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(k) Interflour Transactions*

As advised by the management of Indofood, this transaction only commenced as of 19 October 2018 and the transacted amount was approximately US\$0.6 million in 2018 and increased to approximately US\$1.7 million (on an annualised basis) for 2019, which was due to (i) the commencement of manufacturing services transactions with EPFM in October 2018, hence transacted amounts in 2018 was not on a full year basis; (ii) the commencement of Interflour Transactions in relation to the sale of finished products to Interflour Vietnam in August 2019; and (iii) the Indofood Group’s expansion plans in east Indonesia. Based on our discussions with the management of Indofood, approximately 80% of total Annual Cap for each of the years 2020, 2021 and 2022 is related to the transaction between Indofood Group and EPFM.

We understand a general upward trend in transaction amounts is expected for 2020 to 2022. Based on our discussion, we understand the Annual Caps for 2020 to 2022 is determined after taking into account (i) planned capacity increase in EPFM by approximately 250% over the next three years ending 31 December 2022; (ii) the Minister of Labor issued a circular B-M 308, 2019 which mandates a minimum wage increases of approximately 8.5% starting from January 2020; (iii) the expected growth of the Flour Business as shown by the growing Annual Caps of the other Flour Transactions; and (iv) the adoption the Flour Buffer.

Having considered that:

- (i) Indofood has discussed in its annual report for the year ended 31 December 2018 that Bogasari is expected to increase its overall production in order to strengthen its competitive growth strategy and to maintain its market dominant position. The Interflour Transactions is intended to be used as one of the means to achieve such increase in overall production;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) given the historical growth of transaction amounts from approximately US\$0.6 million in 2018 to approximately US\$1.7 million in 2019 (on an annualised basis), representing an annual growth of around 183.3% and planned capacity increase in EPFM by approximately 250%, the average embedded annual growth rate of around 111.2% of the Annual Caps for the coming three years is not excessive; and
- (iii) the Flour Buffer is considered acceptable and commercially justifiable taking into account the Benefits for having the Flour Buffer (Purchase) as discussed in detail in paragraph headed “4.3 Annual Caps for the 2020-2022 Flour Business Transactions - (c) Consulting Services” above,

we are of the view that the Annual Caps for the Manufacturing Services are fair and reasonable as far as the Company and Independent Shareholders are concerned.

*(l) IDP (Finished Goods) Transaction*

As advised by the management of Indofood, this transaction only commenced as of 19 October 2018 although transacted amount has been minimal for 2018. The transacted amount increased to approximately US\$0.3 million in 2019 (on an annualized basis).

The Annual Caps for 2020 to 2022 is determined after taking into account (i) business expansion plans and growth in ecommerce sector; and (ii) the adoption the Flour Buffer.

Having considered that:

- (i) based on the 2018 annual report published by the Ministry of Communication and Information Technology of Indonesia, the e-commerce sector is expecting a 3-4 times growth by 2025 to approximately US\$53 billion from US\$12.2 billion in 2018. As such, the embedded average annual growth in transaction amount of around 26.1% for the coming three years is not excessive; and
- (ii) the Flour Buffer is considered acceptable and commercially justifiable taking into account that the IDP (Finished Goods) Transaction is income generating in nature and the Benefits for having the Flour Buffer (Sale) as discussed in detail in paragraph headed “4.3 Annual Caps for the 2020-2022 Flour Business Transactions - (a) NIC Flour Transactions” above,

we are of the view that the Annual Caps for the IDP (Finished Goods) Transaction are fair and reasonable as far as the Company and Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(m) Conclusion*

Having considered that, in particular, the reasons and factors discussed above in relation to our assessment of the Annual Caps for each of the 2020-2022 Flour Business Transactions, we are of the view that the proposed aggregated Annual Caps for the 2020-2022 Flour Business Transactions are set by the Directors after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of both the Company and Independent Shareholders as a whole.

### **5 Internal control procedures**

#### ***5.1 Monitoring of the utilisation of the Annual Caps***

As disclosed in the letter from the Board in the Circular, the Company and Indofood has in place procedures to ensure that Annual Caps in respect of continuing connected transactions are not exceeded. A specific continuing connected transactions team has been established within Indofood, which is responsible for the identification and reporting of the Indofood Group's continuing connected transactions.

As part of the reporting processes implemented by the Company and Indofood, we note that each month, Indofood's business units are required to submit a report to Indofood's continuing connected transactions team, setting out the transaction amounts and an indication of whether transaction volumes are expected to remain within the approved disclosed annual caps.

Indofood's continuing connected transactions team collates such monthly reports from all business units and compiles the data to prepare a monthly certification report, which is provided to and agreed with the Company and on which the legal team and finance team of the Company provides comments to Indofood's continuing connected transactions team.

The finance team of the Company calculates its own forecasts of the projected transaction values for the remainder of the relevant year and if the Company anticipates that an annual cap might be exceeded, the Company initiates discussions with Indofood's continuing connected transactions team to establish revised annual caps as necessary.

Please refer to the letter from the Board in the Circular for further details of the internal control procedures of the Group and the Indofood Group.

We consider the aforesaid internal procedures, including but not limited to, the submissions of reports by Indofood's business units to Indofood's continuing connected transactions team and monthly certification report from Indofood's continuing connected transactions team to the Company as well as the regular calculation of forecasts of the projected transaction values for the remainder of the relevant year by the finance team of the Company following receipt of the monthly certification report, all on a monthly basis, can facilitate a regular communication and reporting to the Company which shall enable the legal team and finance team of the Company to effectively monitor the utilisation of the Annual Caps on timely manner.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5.2 Pricing policies

As disclosed in the letter from the Board in the Circular, 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) for products or services where there are comparable products or services in the market:

- the Sales and 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' price 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 and Marketing Department of the Indofood Group reviews and updates such database on a monthly basis as required.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (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 fair and reasonable 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 the transactions involving purchases of goods or services by the Indofood Group, we also note that 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 and 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 and 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (3) 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
- (4) 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.

We understand that 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 and 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 sub-section headed "5.1 Monitoring of the utilisation of the Annual Caps" above, 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.

Please refer to the letter from the Board in the Circular for further details of other pricing policies of the Group and the Indofood Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that the procedures above, in particular, (i) as regards sales of products/services, the performance of a comparison with at least two comparable transactions, or if no comparable products/services available, pricing with profit margin not lower than the average profit margins calculated by Indofood Group of the profit margins charged for similar types of products in the market; (ii) as regards purchases of products/services, the carrying out of the bidding process and the performance of a comparison with at least two quotations for products or services of the same type and quality from qualified suppliers; (iii) 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; (iv) as regards leasing transactions, the reference to independent quotations from third party real property agency firms or valuation reports by independent valuers; and (v) the respective aforesaid regular review involved, have demonstrated Indofood Group's practices of getting access to pricing information in the market and regular assessment and review on pricing of products/services being sold/purchased so as to ensure that prices and other terms of the relevant transactions with connected persons 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 or those offered to independent third parties.

Based on the discussion above, we concur with the view of the Directors that the internal control as regards the continuing connected transactions are efficient to safeguard the interest of the Company and its Shareholders as a whole.

### **6 Listing Rules requirements**

It was stated in the 2018 Annual Report that, pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have confirmed that for the year ended 31 December 2018, each of the continuing connected transactions, among other things, the existing Noodles Business transactions, the existing Plantations Business transactions, the existing Distribution Business transactions and the existing Flour Business transactions, have been entered into (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms or on terms no less favourable to the Indofood Group than terms available to independent third parties; (3) in accordance with the relevant agreement; and (4) on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company have performed a review of the continuing connected transactions, among other things, the existing Noodles Business transactions, the existing Plantations Business transactions, the existing Distribution Business transactions and the existing Flour Business transactions for the year ended 31 December 2018 and have confirmed that such continuing connected transactions were conducted in the manner stated in Rule 14A.56 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For each financial year of the Company during the terms of each of the Noodles Agreements relating to the 2020-2022 Noodles Business Transactions, the Plantations Agreements relating to the 2020-2022 Plantations Business Transactions, the Distribution Agreements relating to the 2020-2022 Distribution Business Transactions and the Flour Agreements relating to the 2020-2022 Flour Business Transactions, the subject transactions will be subject to review by the Independent Non-executive Directors and the Company's auditor as required by the provisions of the Rules 14A.55 and 14A.56 of the Listing Rules respectively. The Independent Non-executive Directors must confirm in the annual report that the 2020-2022 such transactions have been entered into:

- (1) in the ordinary and usual course of business of the Company;
- (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the Listing Rules require that the Company's auditor must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company), confirming that the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions:

- (1) have received the approval of the Board;
- (2) are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company have been entered into in accordance with the relevant agreement governing the transactions; and
- (3) have not exceeded the cap disclosed in its previous announcement.

Given the above, we are of the opinion that there will be sufficient procedures and arrangements in place to ensure that the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions will be conducted on terms that are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OPINION AND RECOMMENDATION

Having considered the principal factors and reasons discussed above and in particular the following:

- that each of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions, which will be conducted on normal commercial terms, are in line with the Indofood Group's adopted business expansion strategies and are expected to facilitate the growth of the Indofood Group's businesses;
- that the respective pricing basis as provided under the Noodles Agreements, the Plantations Agreements, the Distribution Agreements and the Flour Agreements is fair and reasonable;
- the control and review procedures and arrangements in place to safeguard the interests of the Company and the Shareholders in relation to the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions as discussed under the sections namely "5. Internal control procedures" and "6. Listing Rules requirements" above; and
- that the respective Annual Caps for each of the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions, have been set by the Directors, after careful and due considerations, at a level which will be in the interests of both the Company and the Shareholders, in view of the factors as discussed in detail above,

we consider that the Noodles Agreements, the Plantations Agreements, the Distribution Agreements and the Flour Agreements will be entered into within the ordinary and usual course of business of the Group based on normal commercial terms and their respective terms and conditions together with the respective Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the 2020-2022 Noodles Business Transactions, the 2020-2022 Plantations Business Transactions, the 2020-2022 Distribution Business Transactions and the 2020-2022 Flour Business Transactions, and the adoption of the respective Annual Caps.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Lyan Tam**  
*Director*

*Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 17 years of experience in corporate finance industry (including but not limited to advising on corporate exercises as regard compliance of the Listing Rules).*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which 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 he or she was taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company (the "Model Code") were as follows:

#### (I) Long positions in securities of the Company

Name	Ordinary shares	Approximate percentage of issued share capital (%)	Ordinary share options
Anthoni Salim	1,925,474,957 <sup>(C)(i)</sup>	44.32	–
Manuel V. Pangilinan	70,493,078 <sup>(P)(ii)</sup>	1.62	–
Christopher H. Young	8,385,189 <sup>(P)(iii)</sup>	0.19	–
Benny S. Santoso	446,535 <sup>(P)</sup>	0.01	5,167,600
Prof. Edward K.Y. Chen, <i>GBS, CBE, JP</i>	2,946,559 <sup>(P)(iv)</sup>	0.07	–
Margaret Leung Ko May Yee, <i>SBS, JP</i>	2,088,652 <sup>(P)(v)</sup>	0.05	–
Philip Fan Yan Hok	2,088,652 <sup>(P)(vi)</sup>	0.05	–
Madeleine Lee Suh Shin	893,070 <sup>(P)</sup>	0.02	3,828,000

(P) = Personal interest, (C) = Corporate interest

- (i) Anthoni Salim indirectly owns 100% of First Pacific Investments (B.V.I.) Limited, his indirect interests in First Pacific Investments (B.V.I.) Limited are held through Salerni International Limited (a company of which Anthoni Salim directly holds 100% of the issued share capital). First Pacific Investments (B.V.I.) Limited and Salerni International Limited are interested in 633,186,599 shares and 502,058,994 shares respectively in the Company. Anthoni Salim also owns 83.84% of First Pacific Investments Limited which, in turn, is interested in 790,229,364 shares in the Company. Of this, 4.04% is held by Anthoni Salim directly, 20.19% by Salerni International Limited and 59.61% by Asian Capital Finance Limited (a company in which Anthoni Salim owns 100% share interests). The remaining 16.16% interest in First Pacific Investments Limited is owned as to 12.12% by the late Sutanto Djuhar (a former Non-executive Director of the Company) and 4.04% by Tedy Djuhar (a Non-executive Director of the Company).
- (ii) It included Mr. Pangilinan's interests in 29,033,817 shares transferred to certain family trusts.
- (iii) It included Mr. Young's interests in 4,830,849 awarded shares granted pursuant to the Company's Share Award Scheme as adopted by the Board on 19 March 2013 (the "**Share Award Scheme**") which remain unvested.
- (iv) It included Prof. Chen's interests in 957,000 awarded shares granted pursuant to the Share Award Scheme which remain unvested.
- (v) It included Mrs. Leung's interests in 957,000 awarded shares granted pursuant to the Share Award Scheme which remain unvested.
- (vi) It included Mr. Fan's interests in 957,000 awarded shares granted pursuant to the Share Award Scheme which remain unvested.

**(II) Long positions in securities of associated corporations**

- Manuel V. Pangilinan owned 30,842,404 common shares<sup>(P)</sup> (0.10%)\* in Metro Pacific Investments Corporation, 250,194 common shares<sup>(P)</sup> (0.11%)\* in PLDT Inc. ("**PLDT**") as beneficial owner and a further 15,417 common shares (less than 0.01%)\* in PLDT as nominee, 4,655,000 common shares<sup>(P)</sup> (0.09%)\* in Philex Mining Corporation, 1,603,465 common shares<sup>(P)</sup> (0.08%)\* in PXP Energy Corporation, 40,000 common shares<sup>(P)</sup> (less than 0.01%)\* in Manila Electric Company, as well as 61,547 common shares<sup>(P)</sup> (less than 0.01%)\* in RHI.
- Christopher H. Young owned 54,313 common shares<sup>(P)</sup> (0.02%)\* in PLDT and 61,547 common shares<sup>(P)</sup> (less than 0.01%)\* in RHI.
- Tedy Djuhar owned 15,520,335 ordinary shares<sup>(C)</sup> (0.18%)\* in Indofood.

- Anthoni Salim owned 1,329,770 ordinary shares<sup>(P)</sup> (0.02%)\* in Indofood and an indirect interest of 4,396,103,450 Indofood shares (50.07%)\* through the Company's group companies, an indirect interest of 2,007,788 shares<sup>(C)</sup> (0.14%)\* in IndoAgri through his controlled corporations other than the Company and an indirect interest of 1,137,445,930 IndoAgri shares (81.49%)\* through the Company's group companies and an indirect interest of 20,483,364 shares (0.13%)\* in SIMP through his controlled corporations other than the Company and an indirect interest of 12,471,746,400 SIMP shares (78.85%)\* through the Company's group companies.

(P) = Personal interest, (C) = Corporate interest

- \* Approximate percentage of the issued capital of the respective class of shares in the respective associated corporations as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which 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 he or she was taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Directors of the Company who are directors or employees of companies having an interest or short position in the securities of the Company**

As at the Latest Practicable Date, the following Directors were also directors or employees of companies which had an interest or short position in the shares or 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:

<b>Name of Director</b>	<b>Name of Company and Position</b>
Anthoni Salim	Director of Salerni International Limited Director of First Pacific Investments (B.V.I.) Limited Director of First Pacific Investments Limited
Benny S. Santoso	Director of Salerni International Limited Director of First Pacific Investments (B.V.I.) Limited Director of First Pacific Investments Limited
Tedy Djuhar	Director of First Pacific Investments Limited

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares or 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.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation.

### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder).

### **5. MATERIAL INTERESTS IN CONTRACT OR ARRANGEMENT**

Save as disclosed in this circular, the following are existing continuing connected transactions entered into between associates of Mr. Salim and members of the Group, which have previously been announced by the Company in accordance with the Listing Rules:

**A. Transactions relating to the Insurance Policies of the Indofood Group**

Parties to the agreement/arrangement		Nature of agreement/arrangement	Period covered by the agreement/arrangement		Annual cap for the year ending 31 December 2019 (US\$ millions)
Name of entity of the group	Name of connected party and relationship between the parties		From	To	
Indofood and its subsidiaries	PT Asuransi Central, Asia (“ACA”), an associate of Mr. Salim	ACA provides vehicle, property and other assets insurance services to Indofood and its subsidiaries	1 January 2017	31 December 2019	18.3
Indofood and its subsidiaries	PT A.J. Central Asia Raya (“CAR”), an associate of Mr. Salim	CAR provides insurance services for personal accident and health to Indofood and its subsidiaries	1 January 2017	31 December 2019	15.2
Indofood and its subsidiaries	PT Indosurance Broker Utama (“IBU”), an associate of Mr. Salim	IBU provides insurance services to Indofood and its subsidiaries	1 January 2017	31 December 2019	3.0
<b>Aggregated amount:</b>					<b>36.5</b>

**B. Transactions relating to the Beverages Business of the Indofood Group**

Parties to the agreement/arrangement		Nature of agreement/arrangement	Period covered by the agreement/arrangement		Annual cap for the year ending 31 December 2019 (US\$ millions)
Name of entity of the group	Name of connected party and relationship between the parties		From	To	
AIBM*	SDM, an associate of Mr. Salim	AIBM uses human resources outsourcing services from SDM	1 January 2017	31 December 2019	4.5
AIBM*	Indomobil and its subsidiaries, an associate of Mr. Salim	Indomobil and its subsidiaries sell/ rent vehicles, provide vehicle services and sell spare parts to AIBM	1 January 2017	31 December 2019	3.6
AIBM*	FFI, an associate of Mr. Salim	AIBM sells drinking products to FFI	1 August 2017	31 December 2019	13.4
AIBM*	PTM, an associate of Mr. Salim	AIBM uses human resources outsourcing services from PTM	1 January 2017	31 December 2019	4.5
AIBM*	Indomaret, an associate of Mr. Salim	AIBM sells finished goods to Indomaret	1 January 2017	31 December 2019	5.0
AIBM*	Indogrosir, an associate of Mr. Salim	AIBM sells finished goods to Indogrosir	1 January 2017	31 December 2019	1.1
AIBM*	LS, an associate of Mr. Salim	AIBM sells drinking products to LS	1 January 2017	31 December 2019	1.1
<b>Aggregated amount:</b>					<b>33.2</b>

\* AIBM took over these agreements subsequent to its merger with, among others, PT Indofood Anugerah Sukses Barokah.

## C. Transactions relating to the Dairy Business of the Indofood Group

Parties to the agreement/arrangement		Nature of agreement/arrangement	Period covered by the agreement/arrangement		Annual cap for the year ending 31 December 2019 (US\$ millions)
Name of entity of the group	Name of connected party and relationship between the parties		From	To	
Indofood and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Salim	Indomobil and its subsidiaries sell and rent vehicles, provide vehicle services and sell spare parts to Indofood and its subsidiaries	1 January 2017	31 December 2019	12.9
Indofood and its subsidiaries	SDM, an associate of Mr. Salim	Indofood and its subsidiaries use human resources outsourcing services from SDM	1 January 2017	31 December 2019	3.5
PT Indolakto (“Indolakto”)	Indomaret, an associate of Mr. Salim	Indolakto sells finished goods to Indomaret	1 January 2017	31 December 2019	8.4
Indolakto	Indogrosir, an associate of Mr. Salim	Indolakto sells finished goods to Indogrosir	1 January 2017	31 December 2019	0.9
Indolakto	LS, an associate of Mr. Salim	Indolakto sells finished goods to LS	1 January 2017	31 December 2019	2.6
Indolakto	NIC, an associate of Mr. Salim	Indolakto sells finished goods to NIC	1 January 2017	31 December 2019	3.5
Indolakto	FFI, an associate of Mr. Salim	Indolakto sells finished goods to FFI	1 January 2017	31 December 2019	0.9
<b>Aggregated amount:</b>					<b>32.7</b>

## D. Transactions relating to Customer Relationship Management of the Indofood Group

Parties to the agreement/arrangement		Nature of agreement/arrangement	Period covered by the agreement/arrangement		Annual cap for the year ending 31 December 2019 (US\$ millions)
Name of entity of the group	Name of connected party and relationship between the parties		From	To	
Indofood and its subsidiaries	PT Transcosmos Indonesia, an associate of Mr. Salim	PT Transcosmos Indonesia provides call center services to Indofood and its subsidiaries	1 January 2017	31 December 2019	2.0
Indofood and its subsidiaries	PT Data Arts Xperience, an associate of Mr. Salim	Indofood and its subsidiaries use digital media buying services from PT Data Arts Xperience	1 January 2017	31 December 2019	0.9
Indofood and its subsidiaries	PT PopBox Asia, an associate of Mr. Salim	Indofood and its subsidiaries brand on PT PopBox Asia’s lockers	1 January 2017	31 December 2019	3.5
<b>Aggregated amount:</b>					<b>6.4</b>

**E. Transactions relating to the Baby Diapers Business of the Indofood Group**

Parties to the agreement/arrangement		Nature of agreement/ arrangement	Period covered by the agreement/arrangement		Annual cap for the year ending 31 December 2019 (US\$ millions)
Name of entity of the group	Name of connected party and relationship between the parties		From	To	
PT Indo Oji Sukses Pratama ("IOSP")	LS, an associate of Mr. Salim	IOSP sells finished goods to LS	-	-	17.6
IOSP	Indomobil and its subsidiaries, an associate of Mr. Salim	Indomobil and its subsidiaries sell and rent vehicles, provide vehicle services and sell spare parts to IOSP	-	-	1.7
IOSP	Indomaret, an associate of Mr. Salim	IOSP sells finished goods to Indomaret	-	-	108.5
IOSP	Indogrosir, an associate of Mr. Salim	IOSP sells finished goods to Indogrosir	-	-	8.6
IOSP	SDM, an associate of Mr. Salim	IOSP uses human resources outsourcing services from SDM	-	-	0.2
<b>Aggregated amount:</b>					<b>136.6</b>

**F. Transactions relating to the Packaging Business of the Indofood Group**

Parties to the agreement/arrangement		Nature of agreement/ arrangement	Period covered by the agreement/arrangement		Annual cap for the year ending 31 December 2019 (US\$ millions)
Name of entity of the group	Name of connected party and relationship between the parties		From	To	
PT Surya Rengo Containers ("SRC")	FFI, an associate of Mr. Salim	SRC sells carton box packaging to FFI	1 January 2017	31 December 2019	0.3
Indofood and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Salim	Indomobil and its subsidiaries sell/ rent vehicles, provide vehicle services and sell spare parts to Indofood and its subsidiaries	1 January 2017	31 December 2019	1.2
Indofood and its subsidiaries	SDM, an associate of Mr. Salim	Indofood and its subsidiaries use human resources outsourcing services from SDM	1 January 2017	31 December 2019	0.8
Indofood and its subsidiaries	PTM, an associate of Mr. Salim	Indofood and its subsidiaries use human resources outsourcing services from PTM	1 January 2017	31 December 2019	2.8
Indofood/ICBP	NIC, an associate of Mr. Salim	Indofood/ICBP sell packaging materials to NIC	1 January 2017	31 December 2019	5.0
Indofood/ICBP	Indomaret and its subsidiaries, an associate of Mr. Salim	Indofood/ICBP sell packaging materials to Indomaret and its subsidiaries	1 January 2017	31 December 2019	1.9
Indofood/ICBP	LPI, an associate of Mr. Salim	Indofood/ICBP sell packaging materials to LPI	6 September 2017	31 December 2019	1.1
<b>Aggregated amount:</b>					<b>13.1</b>

**G. Transactions relating to the Snack Foods Business of the Indofood Group**

Parties to the agreement/arrangement		Nature of agreement/arrangement	Period covered by the agreement/arrangement		Annual cap for the year ending 31 December 2019 (US\$ millions)
Name of entity of the group	Name of connected party and relationship between the parties		From	To	
Indofood and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Salim	Indomobil and its subsidiaries sell and rent vehicles, provide vehicle services and sell spare parts to Indofood and its subsidiaries	1 January 2017	31 December 2019	1.9
ICBP – Biscuit Division	FFI, an associate of Mr. Salim	ICBP – Biscuit Division sells biscuit crumb to FFI	1 January 2017	31 December 2019	0.2
Indofood and its subsidiaries	PTIS, an associate of Mr. Salim	Indofood and its subsidiaries sell scrap products to PTIS	6 June 2018	31 December 2019	1.5
ICBP – Biscuit Division	Shanghai Resources, an associate of Mr. Salim	ICBP – Biscuit Division sells biscuit products to Shanghai Resources	6 June 2018	31 December 2019	0.1
<b>Aggregated amount:</b>					<b>3.7</b>

**H. Transactions relating to the Property Business of the Indofood Group**

Parties to the agreement/arrangement		Nature of agreement/arrangement	Period covered by the agreement/arrangement		Annual cap for the year ending 31 December 2019 (US\$ millions)
Name of entity of the group	Name of connected party and relationship between the parties		From	To	
PT Aston Inti Makmur (“AIM”)	Indomaret, an associate of Mr. Salim	Indomaret rents space from AIM	1 January 2019	31 December 2019	0.2
AIM	PT Central Asia Financial, an associate of Mr. Salim	PT Central Asia Financial rents space from AIM	1 February 2017	31 January 2019	0.3
AIM	IDP, an associate of Mr. Salim	IDP rents space from AIM	1 January 2017	31 December 2019	0.3
AIM	PT Ciptabuana Sukses Lestari, an associate of Mr. Salim	PT Ciptabuana Sukses Lestari rents space from AIM	1 January 2019	31 December 2019	1.1
AIM	CAR, an associate of Mr. Salim	CAR rents space from AIM	6 June 2018	23 August 2019	0.4
AIM	PT Transcosmos Indonesia, an associate of Mr. Salim	PT Transcosmos Indonesia rents space from AIM	1 January 2019	31 December 2019	0.1
AIM	Bank INA Persada, an associate of Mr. Salim	Bank INA Persada rents space from AIM	1 October 2018	30 September 2021	0.6
AIM	PT Cyberindo Mega Persada, an associate of Mr. Salim	PT Cyberindo Mega Persada rents space from AIM	1 January 2017	31 December 2019	0.3
<b>Aggregated amount:</b>					<b>3.3</b>

**I. Transactions relating to the Revolving Loan Facility of the Indofood Group**

Parties to the agreement/arrangement		Nature of agreement/arrangement	Period covered by the agreement/arrangement		Annual cap for the year ending 31 December 2019 (US\$ millions)
Name of entity of the group	Name of connected party and relationship between the parties		From	To	
SIMP	IGER Group, an associate of Mr. Salim	SIMP provides a revolving loan facility to IGER Group	2 January 2017	31 December 2019	40.0
<b>Aggregated amount:</b>					<b>40.0</b>

**J. Transactions relating to Sponsorship of the Indofood Group**

Parties to the agreement/arrangement		Nature of agreement/arrangement	Period covered by the agreement/arrangement		Annual cap for the year ending 31 December 2019 (US\$ millions)
Name of entity of the group	Name of connected party and relationship between the parties		From	To	
Indofood and its subsidiaries	PT Citra Swara Kreasindo	Indofood and its subsidiaries providing sponsorship for branding to PT Citra Swara Kreasindo's events.	27 August 2019	31 December 2019	1.1
<b>Aggregated amount:</b>					<b>1.1</b>

Save as disclosed above, as at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired, disposed of by or leased to any member of the Group.

## 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 7. EXPERT QUALIFICATION AND CONSENT

The following are the qualifications of the expert who has given their opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Somerley Capital Limited	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert referenced to in the paragraph above:

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired, disposed of by or leased to any member of the Group; and
- (c) has given and had not withdrawn its written consent to the issue of this circular with the inclusion of the text of its letter and/or references to its name in the form and context in which they are included.

The letter of advice given by the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders was made on 29 November 2019 for incorporation in this circular.

**8. MISCELLANEOUS**

- (a) The principal office of the Company is situated at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The company secretary of the Company is Ms. Nancy L.M. Li. Ms. Li is a Fellow of the Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries & Administrators of Great Britain.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:30 p.m. (Saturdays, Sundays and public holidays excepted) at the principal office of the Company at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the framework agreements in respect of the existing 2017-2019 Noodles Business Transactions referred to on pages 10 to 12 of the “Letter From the Board” section of this circular;
- (b) the draft framework agreement proposed to be entered into in respect of the new continuing connected transaction relating to the Indofood Group’s Noodles Business referred to on page 12 of the “Letter From the Board” section of this circular;
- (c) the framework agreements in respect of the existing 2017-2019 Plantations Business Transactions referred to on pages 20 to 21 of the “Letter From the Board” section of this circular;
- (d) the framework agreements in respect of the existing 2017-2019 Distribution Business Transactions referred to on page 36 of the “Letter From the Board” section of this circular;
- (e) the framework agreements in respect of the existing 2017-2019 Flour Business Transactions referred to on page 54 of the “Letter From the Board” section of this circular;
- (f) the letter from the Independent Board Committee to the Independent Shareholders dated 29 November 2019, the text of which is set out on pages 81 to 82 of this circular;

- (g) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 29 November 2019, the text of which is set out on pages 83 to 177 of this circular;
- (h) the consent letter issued by the Independent Financial Adviser referred to in the paragraph headed “Expert Qualification and Consent” in this appendix; and
- (i) this circular.

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## NOTICE OF SGM

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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)

**NOTICE IS HEREBY GIVEN THAT** a special general meeting (the “**SGM**”) of First Pacific Company Limited (the “**Company**”) will be held at Pheasant-Stork Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Monday, 16 December 2019 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following four resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. **THAT** each of the continuing connected transactions and the related new annual caps for each of the years ending 31 December 2020, 2021 and 2022 (as applicable) relating to the noodles business carried on by PT Indofood Sukses Makmur Tbk (“**Indofood**”) and its subsidiaries, as described in Table A on pages 10 to 12 of the “Letter from the Board” section of the circular of the Company dated 29 November 2019 (the “**Circular**”), be and are hereby approved and any director of the Company be and is hereby authorized to do all such further acts and things and execute and/or approve all such further documents which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such transactions;
2. **THAT** each of the continuing connected transactions and the related new annual caps for each of the years ending 31 December 2020, 2021 and 2022 (as applicable) relating to the plantations business carried on by Indofood and its subsidiaries, as described in Table B on pages 20 to 21 of the “Letter from the Board” section of the Circular, be and are hereby approved and any director of the Company be and is hereby authorised to do all such further acts and things and execute and/or approve all such further documents which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such transactions;

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## NOTICE OF SGM

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3. **THAT** each of the continuing connected transactions and the related new annual caps for each of the years ending 31 December 2020, 2021 and 2022 (as applicable) relating to the distribution business carried on by Indofood and its subsidiaries, as described in Table C on page 36 of the “Letter from the Board” section of the Circular, be and are hereby approved and any director of the Company be and is hereby authorised to do all such further acts and things and execute and/or approve all such further documents which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such transactions; and
  
4. **THAT** each of the continuing connected transactions and the related new annual caps for each of the years ending 31 December 2020, 2021 and 2022 (as applicable) relating to the flour business carried on by Indofood and its subsidiaries, as described in Table D on page 54 of the “Letter from the Board” section of the Circular, be and are hereby approved and any director of the Company be and is hereby authorised to do all such further acts and things and execute and/or approve all such further documents which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such transactions.

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

Hong Kong, 29 November 2019

*Principal Office:*  
24th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

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## NOTICE OF SGM

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*Explanatory Notes to the SGM Notice:*

1. For the purpose of determining the identity of the Company's shareholders who are entitled to attend and vote at the SGM, the Company's register of members will be closed from Friday, 13 December 2019 to Monday, 16 December 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 12 December 2019.
2. Every member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
3. A form of proxy for use at the SGM is enclosed with the Company's circular dated 29 November 2019 of which this Notice of SGM forms part. The form of proxy will also be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and can also be downloaded from the Company's website ([www.firstpacific.com](http://www.firstpacific.com)).
4. Where there are joint registered holders of any share, any one of such persons may vote at the SGM, 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 is present at the SGM personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
6. Whether or not you propose to attend the SGM 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 SGM and voting in person if you so wish. In the event that you attend the SGM after having lodged the form of proxy, it will be deemed to have been revoked.
7. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 12:00 noon on the date of the SGM, the SGM will be adjourned. The Company will post an announcement on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and its website ([www.firstpacific.com](http://www.firstpacific.com)) notifying shareholders of the date, time and place of the adjourned meeting.  
  
The SGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they will attend the SGM under bad weather conditions bearing in mind their own situations.
8. The English text of the Circular shall prevail over the Chinese text in case of any inconsistency.