

CIRCULAR DATED 10 MAY 2019

THIS CIRCULAR IS ISSUED BY INDOFOOD AGRI RESOURCES LTD. (THE “COMPANY”). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE RECOMMENDING DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF NOVUS CORPORATE FINANCE PTE. LTD. (AS THE INDEPENDENT FINANCIAL ADVISER TO THE RECOMMENDING DIRECTORS) TO THE RECOMMENDING DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser, the transferee or the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained, opinions expressed or advice given in this Circular.



INDOFOOD AGRI RESOURCES LTD.

(Company Registration No.: 200106551G)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL CASH OFFER

by

**CIMB BANK BERHAD (13491-P)
Singapore Branch**

(Incorporated in Malaysia)

for and on behalf of

PT INDOFOOD SUKSES MAKMUR TBK

(Incorporated in Indonesia)

to acquire all the Offer Shares (as defined herein)

Independent Financial Adviser to the Recommending Directors



NOVUS CORPORATE FINANCE PTE. LTD.

(Company Registration No.: 201723484W)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 24 MAY 2019, OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN).

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

“1QFY2019”	: The three-month period ended 31 March 2019
“1QFY2019 Results”	: The unaudited consolidated financial statements of the Group for 1QFY2019 which were released by the Company on SGXNET on 30 April 2019
“Acceptance Forms”	: The FAA and the FAT collectively or any one of them, as the case may be
“ACRA”	: The Accounting and Corporate Regulatory Authority of Singapore
“Auditor 1QFY2019 Results Report”	: The report issued by the Auditors in respect of the 1QFY2019 Results, as set out in Appendix E to this Circular
“Auditors”	: Ernst & Young LLP
“Business Day”	: A day (other than a Saturday, a Sunday or a public holiday) on which commercial banks are open for business in Singapore
“CDP”	: The Central Depository (Pte) Limited
“CIMB”	: CIMB Bank Berhad, Singapore Branch
“Circular”	: This circular to Shareholders dated 10 May 2019 in relation to the Offer, enclosing, <i>inter alia</i> , the IFA Letter
“Closing Date”	: 5.30 p.m. (Singapore time) on 24 May 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgement of acceptances of the Offer
“Code”	: The Singapore Code on Take-overs and Mergers
“Companies Act”	: The Companies Act, Chapter 50 of Singapore
“Company”	: Indofood Agri Resources Ltd.
“Company Securities”	: (a) Shares; (b) securities which carry voting rights in the Company; and (c) convertible securities, warrants, options, awards or derivatives in respect of any Shares or securities which carry voting rights in the Company
“Concert Parties”	: Parties acting or presumed to be acting in concert with the Offeror in connection with the Offer
“Constitution”	: The constitution of the Company
“CPF”	: Central Provident Fund
“CPF Agent Banks”	: Agent banks included under the CPFIS
“CPFIS”	: Central Provident Fund Investment Scheme
“CPFIS Investors”	: Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS

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“Directors”	: The directors of the Company as at the Latest Practicable Date, and “Director” means any one of them
“FAA”	: Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
“FAT”	: Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are registered in their own names and are not deposited with CDP
“FY”	: Financial year ended or ending, as the case may be, 31 December of a particular year as stated
“FY2016”	: Financial year ended 31 December 2016
“FY2017”	: Financial year ended 31 December 2017
“FY2018”	: Financial year ended 31 December 2018
“Group”	: The Company and its subsidiaries
“IFA”	: Novus Corporate Finance Pte. Ltd., the independent financial adviser to the Recommending Directors in connection with the Offer
“IFA 1QFY2019 Results Report”	: The report issued by the IFA in respect of the 1QFY2019 Results, as set out in Appendix E to this Circular
“IFA Letter”	: Shall have the meaning ascribed to it in Section 13.1 of this Circular
“Interested Person”	: As defined in Note on Rule 24.6 of the Code and read with Note on Rule 23.12 of the Code, an interested person, in relation to a company, is: <ul style="list-style-type: none">(a) a director, chief executive officer, or Substantial Shareholder of the company;(b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the company;(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer, or a Substantial Shareholder (being an individual) and his immediate family is a beneficiary;(d) any company in which a director, the chief executive officer, or a Substantial Shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;(e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or

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- (f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
- “Latest Practicable Date”** : 3 May 2019, being the latest practicable date prior to the printing of this Circular
- “Listing Manual”** : The listing manual of the SGX-ST, as amended up to the Latest Practicable Date
- “Market Day”** : A day on which the SGX-ST is open for the trading of securities
- “Non-Recommendng Directors”** : Mr. Mark Julian Wakeford, Mr. Moleonoto Tjang, Mr. Suaimi Suriady, Mr. Tjhie Tje Fie and Mr. Axton Salim
- “Offer”** : The voluntary conditional cash offer by CIMB, for and on behalf of the Offeror, to acquire the Offer Shares, on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
- “Offer Announcement”** : The announcement issued by CIMB on the Offer Announcement Date, for and on behalf of the Offeror, in relation to the Offer
- “Offer Announcement Date”** : 10 April 2019, being the date of the Offer Announcement
- “Offer Document”** : The offer document dated 26 April 2019, including the FAA and the FAT, and any other document(s) which may be issued for and on behalf of the Offeror to amend, revise, supplement or update the document(s) from time to time
- “Offer Price”** : S\$0.28 in cash for each Offer Share
- “Offer Shares”** : All the Shares other than those Shares already held by the Offeror and its related corporations, and their respective nominees as at the date of the Offer
- “Offeror”** : PT Indofood Sukses Makmur Tbk
- “Offeror Concert Group”** : The Offeror and its Concert Parties
- “Offeror Securities”** : Ordinary shares in the capital of the Offeror, equity share capital of the Offeror and other securities which carry substantially the same rights in the Offeror, and convertible securities, warrants, options and derivatives in respect of such shares or securities
- “Overseas Shareholders”** : Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be)
- “Recommending Directors”** : The Directors who are considered independent for the purposes of the Offer, namely, Mr. Lee Kwong Foo, Edward, Mr. Lim Hock San, Mr. Goh Kian Chee and Mr. Hendra Susanto
- “Reference Period”** : The period commencing on 10 January 2019, being the date falling three months prior to the Offer Announcement Date, and ending on the Latest Practicable Date

DEFINITIONS

“Register”	: The register of holders of Shares, as maintained by the Registrar
“Registrar”	: Boardroom Corporate & Advisory Services Pte. Ltd. located at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623
“Securities Account”	: A securities account maintained by a Depositor with CDP but does not include a securities sub-account
“SFA”	: The Securities and Futures Act, Chapter 289 of Singapore
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“SGXNET”	: A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“Shareholders”	: Holders of Shares as indicated on the Register and Depositors who have Shares entered against their names in the Depository Register
“Shares”	: Issued and paid-up ordinary shares in the share capital of the Company (excluding treasury shares)
“SIC”	: Securities Industry Council of Singapore
“SRS”	: The Supplementary Retirement Scheme
“SRS Investors”	: Investors who purchase Shares pursuant to SRS
“Substantial Shareholder”	: A person who has an interest in not less than five per cent. (5%) of the total number of issued voting Shares
<i>Units and currencies</i>	
“IDR”	: Indonesian Rupiah
“S\$” and “cents”	: Singapore dollars and cents respectively, being the lawful currency of Singapore
“%” or “per cent.”	: Per centum or percentage

Acting in Concert. Unless otherwise defined, the expression “**acting in concert**” shall have the same meaning as ascribed to it in the Code.

Announcements and Notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Capitalised Terms in Extracts. Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and italics, and capitalised terms used within these reproduced statements and not defined herein shall bear the same meanings as attributed to them in the Offer Document, the IFA Letter and the Constitution respectively.

DEFINITIONS

Depository Related Terms. The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing a single gender shall, where applicable, include any or all genders. References to persons shall, where applicable, include corporations.

Genders. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Rounding. Any discrepancies in the figures in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, the figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Shareholders. References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Shareholders.

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended or re-enacted, unless the context otherwise requires. Any word defined under the Companies Act, the Code, the Listing Manual, the SFA or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning as ascribed to it under the Companies Act, the Code, the Listing Manual, the SFA or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary and Related Corporation. The terms “**subsidiary**” and “**related corporation**” shall have the meanings ascribed to them in Sections 5 and 6 of the Companies Act respectively.

Time and Date. Any reference to a time of day and date in this Circular is made by reference to Singapore time and date respectively unless otherwise stated.

Total Number of Shares and Percentage as at the Latest Practicable Date. In this Circular, the total number of Shares is a reference to a total of 1,395,904,530 Shares in issue as at the Latest Practicable Date (excluding treasury shares) based on a search conducted at ACRA on the Latest Practicable Date, unless the context otherwise requires. As at the Latest Practicable Date, the Company has 51,878,300 treasury shares held in the share capital of the Company.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

- Date of despatch of the Offer Document : 26 April 2019
- Date of despatch of this Circular : 10 May 2019
- Closing Date : **5.30 p.m. (Singapore time) on 24 May 2019** or such later date(s) as may be announced from time to time by or on behalf of the Offeror
- Date of settlement of consideration for valid acceptances of the Offer : Subject to the Offer becoming or being declared unconditional in all respects and the receipt by the Offeror from accepting Shareholders of valid acceptances and all relevant documents required by the Offeror which are complete and valid in all respects and in accordance with the requirements set out in the Offer Document and the Acceptance Forms (as the case may be), and in the case of Depositors, the receipt by the Offeror of confirmations satisfactory to it that the number of Offer Shares tendered by the accepting Shareholders in acceptance of the Offer are standing to the credit of the "Free Balance" of their respective Securities Accounts at the relevant time, remittances for the appropriate amounts will be despatched by means of a Singapore Dollar crossed cheque drawn on a bank in Singapore as soon as practicable and in any case:
- (a) in respect of acceptances of the Offer which are complete and valid in all respects and are received **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven (7) Business Days of that date; or
 - (b) in respect of acceptances of the Offer which are complete and valid in all respects and are received **after** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

Please refer to paragraph 2 of Appendix 1 to the Offer Document for further information.

LETTER TO SHAREHOLDERS

INDOFOOD AGRI RESOURCES LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200106551G)

Board of Directors:

Mr. Lee Kwong Foo, Edward
Mr. Lim Hock San
Mr. Mark Julian Wakeford
Mr. Moleonoto Tjang
Mr. Suaimi Suriady
Mr. Tjhie Tje Fie
Mr. Axton Salim
Mr. Goh Kian Chee
Mr. Hendra Susanto

Registered Office:

8 Eu Tong Sen Street
#16-96/97 The Central
Singapore 059818

10 May 2019

To: The Shareholders of Indofood Agri Resources Ltd.

Dear Sir / Madam

**VOLUNTARY CONDITIONAL CASH OFFER BY CIMB, FOR AND ON BEHALF OF THE OFFEROR,
FOR THE OFFER SHARES****1. INTRODUCTION**

- 1.1 Offer Announcement.** On 10 April 2019, CIMB, for and on behalf of the Offeror, announced that the Offeror intended to make a voluntary conditional cash offer for the Offer Shares at the Offer Price of S\$0.28 for each Offer Share.
- 1.2 Offer Document.** Shareholders should by now have received a copy of the Offer Document and the Acceptance Forms, which set out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out on pages 8 and 9 of the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer contained in the Offer Document carefully.**

The Offer Announcement and the Offer Document are available for download from the website of the SGX-ST at www.sgx.com.

- 1.3 Purpose of this Circular.** The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company, the Offer, the advice of the IFA to the Recommending Directors and the recommendation of the Recommending Directors with regard to the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter carefully and consider the recommendation of the Recommending Directors and the advice of the IFA to the Recommending Directors on the Offer before deciding on whether to accept or reject the Offer. If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

LETTER TO SHAREHOLDERS

2. THE OFFER

- 2.1 **Terms of the Offer.** The Offer is made by CIMB, for and on behalf of the Offeror, on the principal terms set out in Section 2 of the Letter to Shareholders in the Offer Document, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

“2. THE OFFER

- 2.1 **Offer.** CIMB, for and on behalf of the Offeror, hereby makes the Offer to acquire all the Shares other than those already held by the Offeror and its related corporations, and their respective nominees as at the date of the Offer (the “**Offer Shares**”) in accordance with Rule 15 of the Code and on the terms and subject to the conditions set out in this Offer Document, the FAA and the FAT.

- 2.2 **Offer Shares.** For the avoidance of doubt, the Offer will be extended, on the same terms and conditions, to all the Shares owned, controlled or agreed to be acquired by the Concert Parties (other than the Offeror’s related corporations and their respective nominees). For the purpose of the Offer, the expression “**Offer Shares**” shall include such Shares.

Shareholders may choose to accept the Offer in respect of all or part of their holdings of Offer Shares.

- 2.3 **Offer Price.** The consideration for each Offer Share is **S\$0.28 in cash** (the “**Offer Price**”).

- 2.4 **Acceptance Condition.** The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror Concert Group before or during the Offer, will result in the Offeror Concert Group holding more than 90% of the total number of Shares as at the close of the Offer (excluding treasury shares) (the “**Acceptance Condition**”).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Shares which will result in the Offeror meeting the Acceptance Condition.

Save for the Acceptance Condition, the Offer is unconditional in all other respects.

As at the Latest Practicable Date, based on the latest information available to the Offeror, the Offeror Concert Group holds an aggregate of 1,040,415,818 Shares, representing approximately 74.53% of the total number of issued Shares, details of which are set out in Paragraph 1 of Appendix 5 to this Offer Document.

- 2.5 **No Encumbrances.** The Offer Shares are to be acquired (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights and other distributions declared, paid or made by the Company (collectively, the “**Distributions**”) (if any), the Distribution Record Date for which falls on or after the Offer Announcement Date.

LETTER TO SHAREHOLDERS

- 2.6 **Adjustments for Distributions.** *Without prejudice to the generality of the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distributions, the Distribution Record Date for which falls on or after the Offer Announcement Date. In the event of any such Distribution, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution as follows, depending on when the Offer Settlement Date falls:*
- (a) *if the Offer Settlement Date falls on or before the Distribution Record Date, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Price of S\$0.28 for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and*
 - (b) *if the Offer Settlement Date falls after the Distribution Record Date, the Offer Price payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.*
- 2.7 **Adjustments for FY2018 Dividend.** *As stated in the Company's announcement on 29 March 2019, the directors of the Company have proposed a first and final tax-exempt (one tier) dividend of S\$0.0025 per Share for FY2018 (the "FY2018 Dividend"). The proposed FY2018 Dividend is subject to the approval of Shareholders at the forthcoming Annual General Meeting of the Company to be held on 25 April 2019.*
- For purely illustrative purposes only, assuming that the Offer Settlement Date falls after the Distribution Record Date in respect of the FY2018 Dividend, the Offeror will pay such accepting Shareholder S\$0.2775 for each Offer Share as the Offeror will not receive the FY2018 Dividend in respect of such Offer Shares.*
- As at the Latest Practicable Date, the Company has not announced the Distribution Record Date in respect of the FY2018 Dividend.*
- 2.8 **Revision of Terms of the Offer.** *The Offeror reserves the right to revise the terms of the Offer (other than the Acceptance Condition) in accordance with the Code.*
- 2.9 **Warranty.** *A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to all Distributions (if any), the Distribution Record Date for which falls on or after the Offer Announcement Date."*

- 2.2 **Details of the Offer.** The further details of the Offer are set out in Sections 3 and 4 of the Letter to Shareholders in the Offer Document and Appendix 1 to the Offer Document, extracts of which are set out below.

“3. NO DOWNSTREAM OFFER

As at the Latest Practicable Date, the Company holds an aggregate shareholding interest of approximately 73.46% in SIMP, a company listed on the Indonesia Stock Exchange. The Offeror has received advice that it will not be required to make a takeover offer for SIMP as a result of the Offer.

LETTER TO SHAREHOLDERS

4. FURTHER DETAILS OF THE OFFER

Appendix 1 to this Offer Document sets out further details on (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement(s) on the level of acceptances of the Offer and (d) the right of withdrawal of acceptances of the Offer.

...

APPENDIX 1

DETAILS OF THE OFFER

1. DURATION OF THE OFFER

1.1 **First Closing Date.** The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 24 May 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**

1.2 **Subsequent Closing Date(s).** If the Offer is extended and:

- (a) the Offer is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or
- (b) the Offer is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders at least 14 days' prior notice in writing before it may close the Offer.

1.3 **No Obligation to Extend the Offer.** The Offeror is not obliged to extend the Offer if the condition of the Offer as set out in Section 2.4 (Acceptance Condition) of the Letter to Shareholders in this Offer Document is not fulfilled by the Closing Date.

1.4 **Offer to Remain Open for 14 Days After Being Declared Unconditional as to Acceptances.** Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for a period (the "**Rule 22.6 Period**") of not less than 14 days after the date on which the Offer would otherwise have closed, in order to give Shareholders who have not accepted the Offer the opportunity to do so.

This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing (the "**Shut-Off Notice**") that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:

- (a) the Offeror may not give a Shut-Off Notice in a competitive situation; and
- (b) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

For these purposes, the SIC would normally regard a "competitive situation" to have arisen if a competing offer for the Company has been announced.

LETTER TO SHAREHOLDERS

If a declaration that the Offer is unconditional is confirmed in accordance with Paragraph 4.2(a) (Right of Withdrawal of Shareholders) of this Appendix 1, the Rule 22.6 Period will run from the date of such confirmation (if given) or the date on which the Offer would otherwise have closed, whichever is later.

1.5 **Final Day Rule.** The Offer (whether revised or not) will not be capable:

- (a) of becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the Despatch Date; or
- (b) of being kept open after the expiry of such 60-day period unless the Offer has previously become or been declared to be unconditional as to acceptances,

provided that the Offeror may extend the Offer beyond such 60-day period with the SIC's prior consent (the "**Final Day Rule**"). The SIC will normally grant such permission if a competing offer has been announced.

1.6 **Revision.** The Offeror reserves the right to revise the terms of the Offer (other than the Acceptance Condition) at such time and in such manner as it may consider appropriate. If the Offer is revised, the Offer will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who had previously accepted the Offer.

2. SETTLEMENT FOR THE OFFER

When Settlement is Due for All Shareholders. Subject to the Offer becoming or being declared unconditional in all respects and the receipt by the Offeror from accepting Shareholders of valid acceptances and all relevant documents required by the Offeror which are complete and valid in all respects and in accordance with the requirements set out in this Offer Document and the Acceptance Forms (as the case may be), and in the case of Depositors, the receipt by the Offeror of confirmations satisfactory to it that the number of Offer Shares tendered by the accepting Shareholders in acceptance of the Offer are standing to the credit of the "Free Balance" of their respective Securities Accounts at the relevant time, remittances for the appropriate amounts will be despatched, pursuant to Rule 30 of the Code, to accepting Shareholders (or, in the case of Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) by means of a Singapore Dollar crossed cheque drawn on a bank in Singapore and sent by ordinary post to their respective addresses as they appear in the records of CDP, or in the case of scrip holders, the address stated in the respective FATs or, if none is set out, to the respective addresses maintained in the Register (as the case may be), at the risk of the accepting Shareholders (or in such other manner as the accepting Shareholders may have agreed with CDP for the payment of any cash distributions in the case of Depositors) as soon as practicable and in any case:

- (a) in respect of acceptances of the Offer which are complete and valid in all respects and are received **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven (7) Business Days of that date; or
- (b) in respect of acceptances of the Offer which are complete and valid in all respects and are received **after** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

LETTER TO SHAREHOLDERS

3. ANNOUNCEMENTS

3.1 **Timing and Contents.** Pursuant to Rule 28.1 of the Code, by 8.00 a.m. (Singapore time) on the Market Day (the “**Relevant Day**”) immediately after the day on which the Offer is due to expire, or the Offer becomes or is declared to be unconditional as to acceptances or the Offer is revised or extended (if applicable), the Offeror will announce and simultaneously inform the SGX-ST of the total number of Shares (as nearly as practicable):

- (a) for which valid acceptances of the Offer have been received;
- (b) held by the Offeror and any of its Concert Parties before the Offer Period; and
- (c) acquired or agreed to be acquired by the Offeror and any of its Concert Parties during the Offer Period,

and will specify the percentages of the total number of Shares represented by such numbers.

3.2 **Suspension.** Under Rule 28.2 of the Code, if the Offeror is unable, within the time limit, to comply with any of the requirements of Paragraph 3.1 (Timing and Contents) of this Appendix 1, the SIC will consider requesting the SGX-ST to suspend dealings in the Shares until the relevant information is given.

3.3 **Valid Acceptances.** Subject to Section 17.4 (Valid Acceptances) of the Letter to Shareholders in this Offer Document, in computing the number of Offer Shares represented by acceptances received by the Offeror, the Offeror will, at the time of making an announcement, take into account acceptances which are valid in all respects.

Acceptances of the Offer will only be treated as valid for the purposes of the Acceptance Condition if the relevant requirements of Note 2 on Rule 28.1 of the Code are met.

3.4 **Announcements.** In this Offer Document, references to the making of any announcement or the giving of notice by the Offeror include the release of an announcement by CIMB, for and on behalf of the Offeror, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

4. RIGHT OF WITHDRAWAL IN RELATION TO THE OFFER

4.1 **Acceptances Irrevocable.** Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable.

4.2 **Right of Withdrawal of Shareholders.** A Shareholder who has accepted the Offer may:

- (a) withdraw his acceptance immediately if the Offer has become or been declared to be unconditional as to acceptances but the Offeror fails to comply with any of the requirements set out in Paragraph 3.1 (Timing and Contents) of this Appendix 1 by 3.30 p.m. (Singapore time) on the Relevant Day. Subject to Rule 22.9 of the Code in relation to the Final Day Rule, the Offeror may terminate this right of withdrawal not less than eight (8) days after the Relevant Day by confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code and the requirements set out in Paragraph 3.1 (Timing and Contents) of this Appendix 1. For the purposes of Paragraph 1.4 (Offer to Remain Open for 14 Days After Being Declared Unconditional as to Acceptances) of this Appendix 1, the Rule 22.6 Period referred to therein shall run from the date of such confirmation (if given) or the date on which the Offer would otherwise have expired, whichever is later;

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(b) *withdraw his acceptance after 14 days from the first Closing Date, if the Offer has not by then become or been declared unconditional as to acceptances. Such entitlement to withdraw may be exercisable until such time as the Offer becomes or is declared unconditional as to acceptances; and*

(c) *withdraw his acceptance immediately if a competing offer for the Shares becomes or is declared unconditional as to acceptances. This right of withdrawal also applies in the converse situation i.e. if the Offer becomes or is declared unconditional as to acceptances, a Shareholder who has accepted a competing offer may likewise withdraw his acceptance for such competing offer immediately.*

4.3 **Procedure for Withdrawal of Acceptances.** *To withdraw his acceptance, a Shareholder who has accepted the Offer must give written notice to the Offeror at:*

(a) *PT Indofood Sukses Makmur Tbk c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, where the Offer Shares are deposited with the CDP; or*

(b) *PT Indofood Sukses Makmur Tbk c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, where the Offer Shares are not deposited with the CDP.*

A notice of withdrawal shall be effective only if signed by the accepting Shareholder or his agent duly appointed in writing and evidence of whose appointment is produced in a form satisfactory to the Offeror within the said notice and when actually received by the Offeror.

2.3 **Closing Date.** The Offer will close at **5.30 p.m. (Singapore time) on 24 May 2019** or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

3. PROCEDURES FOR ACCEPTANCE OF THE OFFER

The procedures for acceptance of the Offer are set out in Section 5 of the Letter to Shareholders in the Offer Document and Appendix 2 to the Offer Document, extracts of which are set out below.

“5. PROCEDURES FOR ACCEPTANCE

Appendix 2 to this Offer Document sets out the procedures for acceptance of the Offer by a Shareholder.

...

APPENDIX 2

PROCEDURES FOR ACCEPTANCE OF THE OFFER

1. DEPOSITORS

1.1 **Depositors whose Securities Accounts are credited with Offer Shares.** *If you have Offer Shares standing to the credit of the “Free Balance” of your Securities Account, you should receive this Offer Document, together with a FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.*

LETTER TO SHAREHOLDERS

Acceptance. *If you wish to accept the Offer, you should:*

(a) *complete the FAA in accordance with the provisions and instructions in this Offer Document and the FAA (which provisions and instructions shall be deemed to form part of the terms and conditions of the Offer). In particular, you must state in **Part A** of the FAA, the number of Offer Shares in respect of which you wish to accept the Offer. Please note that:*

(i) *if you:*

(A) *do not specify such number; or*

(B) *specify a number which exceeds the number of Offer Shares standing to the credit of the “Free Balance” of your Securities Account on the Date of Receipt or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date,*

you shall be deemed to have accepted the Offer in respect of all the Offer Shares standing to the credit of the “Free Balance” of your Securities Account on the Date of Receipt or as at 5.30 p.m. (Singapore time) on the Closing Date; and

(ii) *if:*

(A) *Paragraph 1.1(a)(i)(B) of this Appendix 2 above applies and at the time of verification by CDP of the FAA on the Date of Receipt;*

(B) *there are outstanding settlement instructions with CDP to receive further Offer Shares into the “Free Balance” of your Securities Account (“Unsettled Buy Position”); and*

(C) *the Unsettled Buy Position settles such that the Offer Shares in the Unsettled Buy Position are transferred to the “Free Balance” of your Securities Account at any time during the period when the Offer is open, up to 5.30 p.m. on the Closing Date (“Settled Offer Shares”),*

then you shall be deemed to have accepted the Offer in respect of the balance number of Offer Shares inserted in Part A of the FAA which have not yet been accepted pursuant to Paragraph 1.1(a)(i)(B) of this Appendix 2, or the number of Settled Offer Shares, whichever is less;

(b) *sign the FAA in accordance with this Appendix 2 and the instructions printed on the FAA; and*

(c) *deliver the completed and signed FAA (no part may be detached or otherwise mutilated):*

(i) **by hand**, to PT Indofood Sukses Makmur Tbk c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or

(ii) **by post**, in the enclosed pre-addressed envelope at your own risk, to PT Indofood Sukses Makmur Tbk c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

LETTER TO SHAREHOLDERS

in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope which is enclosed with the FAA, at your own risk. It is your responsibility to affix adequate postage on the said envelope.

If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Offer Document and the accompanying FAA to the purchaser or transferee, as CDP will arrange for a separate Offer Document and FAA to be sent to the purchaser or transferee.

If you are a Depository Agent, you may accept the Offer via Electronic Acceptance. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf and such Electronic Acceptances must be submitted **not later than 5.30 p.m. (Singapore time) on the Closing Date.** Such Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Offer Document as if the FAA had been completed and delivered to CDP.

- 1.2 **Depositors whose Securities Accounts will be credited with Offer Shares.** If you have purchased Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, you should also receive this Offer Document together with a FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Acceptance. If you wish to accept the Offer in respect of such Offer Shares, you should, **AFTER** the "Free Balance" of your Securities Account has been credited with such number of Offer Shares purchased:

- (a) complete and sign the FAA in accordance with Paragraph 1.1 of this Appendix 2 and the instructions printed on the FAA; and
- (b) deliver the completed and signed FAA in its entirety (no part may be detached or otherwise mutilated):
 - (i) **by hand**, to PT Indofood Sukses Makmur Tbk c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or
 - (ii) **by post**, in the enclosed pre-addressed envelope at your own risk, to PT Indofood Sukses Makmur Tbk c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope which is enclosed with the FAA, at your own risk. It is your responsibility to affix adequate postage on the said envelope.

- 1.3 **Depositors whose Securities Accounts are and will be credited with Offer Shares.** If you have Offer Shares credited to the "Free Balance" of your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to the "Free Balance" of your Securities Account, you may accept the Offer in respect of the Offer Shares standing to the credit of the "Free Balance" of your Securities Account and may accept the Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only **AFTER** the "Free Balance" of your Securities Account has been credited with such number of Offer Shares. The provisions set out above shall apply in the same way to your acceptance of the Offer.

LETTER TO SHAREHOLDERS

- 1.4 **Rejection.** *If upon receipt by CDP, on behalf of the Offeror, of the FAA, it is established that such Offer Shares have not been or will not be, credited to the “Free Balance” of your Securities Account (as, for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected. None of CDP, CIMB and the Offeror (and, for the avoidance of doubt, any of the Offeror’s related corporations) accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.*

*If you purchase Offer Shares on the SGX-ST during the Offer Period on a date close to the Closing Date, your acceptance of the Offer in respect of such Offer Shares is liable to be rejected if the “Free Balance” of your Securities Account is not credited with such Offer Shares on the Date of Receipt or by 5.30 p.m. (Singapore time) on the Closing Date (if the Date of Receipt is on the Closing Date), save where you had indicated the number of Offer Shares you wish to tender in acceptance of the Offer in **Part A** of the FAA and there is an Unsettled Buy Position on or subsequent to the time of verification by CDP of the FAA on the Date of Receipt which settles on or before 5.30 p.m. (Singapore time) on the Closing Date. If an Unsettled Buy Position does not settle on or before 5.30 p.m. (Singapore time) on the Closing Date, your acceptance in respect of such Offer Shares will be rejected. None of CDP, CIMB and the Offeror (and, for the avoidance of doubt, any of the Offeror’s related corporations) accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.*

- 1.5 **General.** *No acknowledgment of receipt will be given by CDP for submissions of FAAs. All communications, notices, documents and payments will be sent by ordinary post at your own risk to your address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify such number in your Securities Account: (a) through CDP Online if you have registered for the CDP Internet Access Service, or (b) through the CDP Phone Service using SMS OTP, under the option “To check your securities balance”.*

- 1.6 **Blocked Balance.** *Upon receipt of the signed original of the FAA which is complete and valid in all respects, CDP will take such measures as it may consider necessary or expedient to prevent any trading of the Offer Shares in respect of which you have accepted the Offer during the period commencing on the Date of Receipt and ending on the date of settlement of the consideration for such Offer Shares, in the event of the Offer becoming or being declared to be unconditional in all respects in accordance with its terms (including, without limitation, earmarking or blocking the Offer Shares in respect of which you have accepted the Offer and/or transferring them to the “Blocked Balance” of your Securities Account). Such Offer Shares will be held in the “Blocked Balance” until the consideration for such Offer Shares has been despatched to you.*

- 1.7 **Notification.** *If you have accepted the Offer in accordance with the provisions contained in this Appendix 2 and the FAA, upon the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Offer Price by way of a cheque drawn on a bank in Singapore for the appropriate amount and sent by ordinary mail to your mailing address as recorded with CDP, or in such other manner that you have agreed with CDP for the payment of any cash distribution, at your own risk, as soon as practicable and in any event:*

- (a) *in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared unconditional in all respects in accordance with its terms, within seven (7) Business Days of that date; or*
- (b) *in respect of acceptances of the Offer which are complete and valid in all respects and are received after the date on which the Offer becomes or is declared unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) Business Days of the date of such receipt.*

LETTER TO SHAREHOLDERS

1.8 **Return of Offer Shares.** *In the event the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, CDP will return the aggregate number of Offer Shares in respect of which you have accepted the Offer and tendered for acceptance under the Offer to the “Free Balance” of your Securities Account as soon as possible but in any event within 14 days from the lapse or withdrawal of the Offer.*

1.9 **No Securities Account.** *If you do not have an existing Securities Account in your own name at the time of acceptance of the Offer, your acceptance as contained in the FAA will be rejected.*

2. **SCRIP HOLDERS**

2.1 **Shareholders whose Offer Shares are not deposited with CDP.** *If you hold Offer Shares which are not deposited with CDP (“in scrip form”), you should receive this Offer Document together with the FAT.*

Acceptance. *If you wish to accept the Offer, you should:*

(a) *complete the FAT in accordance with the provisions and instructions in this Offer Document and the FAT (which provisions and instructions shall be deemed to form part of the term and conditions of the Offer). In particular, you must state in **Part A** of the FAT, the number of Offer Shares in respect of which you wish to accept the Offer and state in **Part B** of the FAT, the share certificate number(s) of the relevant share certificate(s). If you:*

(i) *do not specify a number in **Part A** of the FAT; or*

(ii) *specify a number in **Part A** of the FAT which exceeds the number of Offer Shares represented by the attached share certificate(s) accompanying the FAT,*

you shall be deemed to have accepted the Offer in respect of the total number of Offer Shares represented by the share certificate(s) accompanying the FAT;

(b) *sign the FAT in accordance with this Appendix 2 and the instructions printed on the FAT; and*

(c) *deliver:*

(i) *the completed and signed FAT in its entirety (no part may be detached or otherwise mutilated);*

(ii) *the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the Constitution of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Offer Document and the FAT;*

(iii) *where such Offer Shares are not registered in your name, a transfer form, duly executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or a person authorised by it); and*

(iv) *any other relevant documents,*

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either

- (A) **by hand**, to PT Indofood Sukses Makmur Tbk c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623; or
- (B) **by post**, in the enclosed pre-addressed envelope at your own risk, to PT Indofood Sukses Makmur Tbk c/o Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623,

in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAT is delivered by post to the Offeror, please use the enclosed pre-addressed envelope which is enclosed with the FAT, at your own risk. It is your responsibility to affix adequate postage on the said envelope.

- 2.2 **Receipt.** No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer form(s) and/or any other accompanying document(s) will be given by the Offeror, CIMB or the Registrar.
- 2.3 **Return of Offer Shares.** In the event the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms by the Closing Date, the FAT, the share certificate(s) and any other accompanying document(s) will be returned to you as soon as possible but, in any event, within 14 days of the lapse or withdrawal of the Offer.

3. GENERAL

- 3.1 **Disclaimer.** The Offeror, CIMB, CDP and/or the Registrar will be entitled, at their sole and absolute discretion, to reject or treat as valid any acceptance of the Offer through the FAA and/or the FAT, as the case may be, which is not entirely in order or which does not comply with the terms of this Offer Document and the relevant Acceptance Forms or which is otherwise incomplete, incorrect, signed but not in its originality, or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the relevant Acceptance Forms are properly completed and executed in all respects and are submitted with original signature(s) and that all required documents (where applicable) are provided. Any decision to reject or treat as valid any acceptance will be final and binding and none of the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations), CIMB, CDP and/or the Registrar accepts any responsibility or liability for such a decision, including the consequences of such a decision.
- 3.2 **Discretion.** The Offeror and CIMB each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated in this Offer Document or in the relevant Acceptance Forms, or if made otherwise than in accordance with the provisions of this Offer Document and in the relevant Acceptance Forms. Any decision to reject or treat as valid any acceptance will be final and binding and none of the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations), CIMB, CDP and/or the Registrar accepts any responsibility or liability for such a decision, including the consequences of such a decision.
- 3.3 **Scrip and Scripless Offer Shares.** If you hold some Offer Shares in scrip form and others with CDP, you should complete the FAT for the former and a FAA for the latter in accordance with the respective procedures set out in this Appendix 2 and the relevant Acceptance Forms if you wish to accept the Offer in respect of such Offer Shares.
- 3.4 **Acceptance Received on Saturday, Sunday or Public Holiday.** Acceptances in the form of the FAA and/or the FAT received by CDP and/or the Registrar, for and on behalf of the Offeror, on a Saturday, Sunday or public holiday will only be processed and validated on the next Business Day.

LETTER TO SHAREHOLDERS

- 3.5 **Deposit Time.** *If you hold Offer Shares in scrip form, the Offer Shares may not be credited into your Securities Account with CDP in time for you to accept the Offer by way of the FAA if you were to deposit your share certificate(s) with CDP after the Despatch Date. If you wish to accept the Offer in respect of such Offer Shares held in scrip form, you should complete the FAT and follow the procedures set out in Paragraph 2 (Scrip Holders) of this Appendix 2 and the FAT.*
- 3.6 **Correspondences.** *All communications, certificates, notices, documents and remittances to be delivered or sent to you (or in the case of scrip holders, your designated agent or, in the case of accepting joint Shareholders who have not designated any agent, to the one first named in the records of CDP or the Register, as the case may be) will be sent by ordinary post to your respective mailing addresses as they appear in the records of CDP or the Register, as the case may be, at the risk of the person(s) entitled thereto (or for the purposes of remittances only, to such different name and addresses as may be specified by you in the FAA and/or the FAT, as the case may be, at your own risk).*
- 3.7 **Evidence of Title.** *Delivery of the duly completed and signed FAA and/or FAT, as the case may be, together with the relevant share certificate(s) and/or other documents of title (where applicable) and/or other relevant documents required by the Offeror, CDP and/or the Registrar, to the Offeror, CDP and/or the Registrar, as the case may be, shall be conclusive evidence in favour of the Offeror (or its nominee), CDP and/or the Registrar, as the case may be, of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.*
- 3.8 **Loss in Transmission.** *The Offeror, CIMB, CDP and/or the Registrar, as the case may be, shall not be liable for any loss in transmission of the FAA and/or the FAT.*
- 3.9 **Acceptances Irrevocable.** *Except as expressly provided in this Offer Document and the Code, the acceptance of the Offer made by you using the FAA and/or the FAT, as the case may be, shall be irrevocable and any instructions or subsequent FAA(s) and/or FAT(s) received by CDP and/or the Registrar, as the case may be, after the FAA and/or the FAT, as the case may be, has been received shall be disregarded.*
- 3.10 **Personal Data Privacy.** *By completing and delivering the FAA and/or the FAT, each person:*
- (a) *consents to the collection, use and disclosure of his personal data by CDP, the Registrar, the Offeror, CIMB and the Company (the “Relevant Persons”) for the purpose of facilitating his acceptance of the Offer, and in order for the Relevant Persons to comply with any applicable laws, listing rules, regulations and/or guidelines;*
 - (b) *warrants that where he discloses the personal data of another person, such disclosure is in compliance with applicable laws, regulations and/or guidelines; and*
 - (c) *agrees that he will indemnify the Relevant Persons in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his breach of warranty.”*

4. INFORMATION ON THE OFFEROR

Section 6 of the Letter to Shareholders in the Offer Document sets out certain information on the Offeror, extracts of which are set out below. Additional information on the Offeror extracted from Appendix 3 to the Offer Document is set out in Appendix C to this Circular.

“6. INFORMATION ON THE OFFEROR

- 6.1 **Offeror.** *The Offeror is a company incorporated in Indonesia on 14 August 1990 and is listed on the Indonesia Stock Exchange.*

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The Offeror 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 in the market. The Offeror is a well-established company and a leading player in each category of business in which it operates, which are categorised into four (4) complementary Strategic Business Groups, namely:

- (a) Consumer Branded Products Group which produces a diverse range of consumer branded products including noodles, dairy products, snack foods, food seasonings, nutrition and special foods as well as beverages;*
- (b) Bogasari Group which is primarily a producer of wheat flour and pasta. Its business operations are supported by shipping and packaging units;*
- (c) Agribusiness Group with principal activities ranging from research and development, seed breeding, oil palm cultivation and milling; as well as the production and marketing of branded cooking oils, margarine and shortening. In addition, the Agribusiness Group is also involved in the cultivation and processing of rubber and sugar cane as well as other crops; and*
- (d) Distribution Group which boasts the most extensive distribution network in Indonesia. It distributes the majority of the Offeror's consumer products as well as third party products.*

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of IDR 878,042,650,000 comprising 8,780,426,500 issued Offeror Shares, of which 4,396,103,450 Offeror Shares, representing approximately 50.07% of the total number of Offeror Shares, are held indirectly by FPC. FPC is listed on the Stock Exchange of Hong Kong Limited. Mr Anthoni Salim has an aggregate deemed interest of approximately 44.35% in the issued share capital of FPC, including his deemed interest held through FPIL's and FPILBVI's direct interests in FPC.

As at the Latest Practicable Date, the directors of the Offeror are as follows:

- (a) Mr Anthoni Salim;*
- (b) Mr Franciscus Welirang;*
- (c) Mr Tjhie Tje Fie;*
- (d) Mr Taufik Wiraatmadja;*
- (e) Mr Paulus Moleonoto (also known as Mr Moleonoto Tjang);*
- (f) Mr Axton Salim;*
- (g) Mr Joedianto Soejonopoetro;*
- (h) Mr Hendra Widjaja; and*
- (i) Mr Sulianto Pratama.*

6.2 Offeror's Shareholding in the Company. *As at the Latest Practicable Date, the Offeror has a direct interest in 39,560,830 Shares and a deemed interest in 998,200,000 Shares held by its subsidiary, ISHPL (representing approximately 2.83% and 71.51% of the total number of the Shares respectively). As at the Latest Practicable Date, the Offeror owns approximately 83.84% of ISHPL, with the remaining shareholding interests of 16.16% owned by two (2) minority third party shareholders.*

LETTER TO SHAREHOLDERS

6.3 **Additional Information.** *Additional information on the Offeror is set out in Appendix 3 to this Offer Document.*

5. IRREVOCABLE UNDERTAKINGS

Section 7 of the Letter to Shareholders in the Offer Document sets out certain information relating to the irrevocable undertakings received by the Offeror, extracts of which are set out below.

“7. IRREVOCABLE UNDERTAKINGS

7.1 **FPIL Irrevocable Undertaking.** *FPIL holds approximately 18.20% of the shares of FPC. As at the Latest Practicable Date, the Offeror has received an undertaking from FPIL (the “FPIL Irrevocable Undertaking”) pursuant to which FPIL has, amongst other things, irrevocably undertaken to and confirmed with the Offeror (a) the concert party relationship between the Offeror and FPIL for the purposes of the Offer, (b) not to tender any of the 1,125,344 Shares (representing approximately 0.08% of the total number of Shares) held by it in acceptance of the Offer, and (c) not to sell, transfer or otherwise dispose of the Shares held by it.*

7.2 **FPILBVI Irrevocable Undertaking.** *FPILBVI holds approximately 14.58% of the shares of FPC. As at the Latest Practicable Date, the Offeror has received an undertaking from FPILBVI (the “FPILBVI Irrevocable Undertaking”) pursuant to which FPILBVI has, amongst other things, irrevocably undertaken to and confirmed with the Offeror (a) the concert party relationship between the Offeror and FPILBVI for the purposes of the Offer, (b) not to tender any of the 882,444 Shares (representing approximately 0.06% of the total number of Shares) held by it in acceptance of the Offer, and (c) not to sell, transfer or otherwise dispose of the Shares held by it.”*

6. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from Section 9 of the Letter to Shareholders in the Offer Document, as set out below.

“9. RATIONALE FOR THE OFFER

9.1 **Intention to Delist and Privatisise the Company.** *The Offeror is making the Offer with a view to delisting and privatising the Company. The Offeror is of the view that the delisting and privatisation of the Company will enable the Offeror to reduce and streamline the number of listed entities within its group structure and provide the Offeror and the management of the Company with flexibility in the implementation of any strategic initiatives and/or operational changes of the Company and its subsidiaries.*

9.2 **Opportunity for Shareholders to realise their investment in the Shares at a premium to market price without incurring brokerage costs.** *The Offer Price represents a premium of approximately 21.5%, 26.3%, 29.0% and 23.1% over the VWAP¹ per Share for the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month periods up to and including 5 April 2019, being the Last Trading Day.*

The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

9.3 **Low Trading Liquidity.** *The trading volume of the Shares has been low, with an average daily trading volume² of approximately 905,613 Shares, 709,084 Shares, 482,507 Shares and 586,141 Shares during the one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including the Last Trading Day. These represent only 0.06%, 0.05%, 0.03% and 0.04% of the total number of issued Shares for the aforementioned relevant periods, respectively.*

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The Offer therefore provides Shareholders with an opportunity to realise their entire investment in the Shares at a premium over the prevailing market prices which may not otherwise be readily available to Shareholders given the low trading liquidity of the Shares.

- 1 *The VWAPs are based on data extracted from Bloomberg L.P. and the calculation of VWAP does not include married trade transactions within the relevant periods.*
- 2 *The average daily trading volumes are based on data extracted from Bloomberg L.P. and are calculated by using the total volume of Shares traded divided by the number of market days with respect to the one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including the Last Trading Day. Calculation of average daily trading volume does not include married trade transactions within the relevant periods.”*

7. OFFEROR’S INTENTIONS FOR THE COMPANY

The full text of the Offeror’s intentions for the Company has been extracted from Section 10 of the Letter to Shareholders in the Offer Document, as set out below. **Shareholders are advised to read the extracts below carefully and note the Offeror’s future plans for the Company.**

“10. THE OFFEROR’S INTENTIONS FOR THE COMPANY

The Offeror intends for the Company to continue to develop and grow the existing businesses of the Company and its subsidiaries. The Offeror and the Company will continue to review, from time to time, the operations of the Company and its subsidiaries as well as the Company’s strategic options. The Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the interests of the Offeror and/or the Company.

In the event the Free Float Requirement is not satisfied as a result of the Offer or other reasons, the Offeror (a) does not intend to take any or support any action to restore the Company’s public shareholding spread to meet the Free Float Requirement, and (b) intends to seek a delisting of the Company. It will also exercise any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act.

Save as disclosed above, the Offeror has no current intentions to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of existing employees of the Company and its subsidiaries, in each case, other than in the ordinary course of business.”

8. COMPULSORY ACQUISITION AND LISTING STATUS

Section 11 of the Letter to Shareholders in the Offer Document sets out the intentions of the Offeror relating to the compulsory acquisition and listing status of the Company, extracts of which are set out below.

“11. COMPULSORY ACQUISITION AND LISTING STATUS

11.1 Compulsory Acquisition. *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury) (the “**Compulsory Acquisition Threshold**”), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the “**Dissenting Shareholders**”) on the same terms as those offered under the Offer (the “**Compulsory Acquisition Right**”).*

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer and the Offeror will then proceed to delist the Company from SGX-ST.

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*Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.** Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude treasury shares or Shares held by the Offeror, its related corporations or their respective nominees.*

- 11.2 **Listing Status.** Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public (the “**Free Float Requirement**”). Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares (excluding any Shares held in treasury) in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

In the event that the Free Float Requirement is not satisfied, the Offeror does not intend to preserve the listing status of the Company and has no intention to undertake or support any action to satisfy the Free Float Requirement or for any such trading suspension by the SGX-ST to be lifted. In such event, the Offeror intends to seek the delisting of the Company from the SGX-ST.

Shareholders should note that even if the Free Float Requirement is not met, the Offeror may not be able to exercise the Compulsory Acquisition Right if it does not achieve the Compulsory Acquisition Threshold.”

LETTER TO SHAREHOLDERS

9. FINANCIAL ASPECTS OF THE OFFER

Section 12 of the Letter to Shareholders in the Offer Document sets out certain information on the financial aspects of the Offer, extracts of which are set out below:

“12. FINANCIAL ASPECTS OF THE OFFER

The Offer Price of S\$0.28 for each Offer Share represents the following premia over certain historical market prices³ of the Shares as set out below:

<i>Description</i>	<i>Share Price (S\$)</i>	<i>Premium of Offer Price over Share Price (%)</i>
<i>(a) Last traded price of the Shares on the SGX-ST on the Last Trading Day</i>	<i>S\$0.2600</i>	<i>7.7</i>
<i>(b) VWAP for the 1-month period up to and including the Last Trading Day</i>	<i>S\$0.2304</i>	<i>21.5</i>
<i>(c) VWAP for the 3-month period up to and including the Last Trading Day</i>	<i>S\$0.2218</i>	<i>26.3</i>
<i>(d) VWAP for the 6-month period up to and including the Last Trading Day</i>	<i>S\$0.2170</i>	<i>29.0</i>
<i>(e) VWAP for the 12-month period up to and including the Last Trading Day</i>	<i>S\$0.2275</i>	<i>23.1</i>

³ *The historical market prices of the Shares and the corresponding premia are based on data extracted from Bloomberg L.P.”*

10. DISCLOSURE OF HOLDINGS AND DEALINGS

Section 13 of the Letter to Shareholders in the Offer Document and Appendix 5 to the Offer Document set out certain information relating to disclosure of holdings and dealings, extracts of which are set out below.

“13. DISCLOSURES OF HOLDINGS AND DEALINGS

13.1 Holdings and Dealings in the Company Securities. *Appendix 5 to this Offer Document sets out, based on responses received pursuant to enquiries that the Offeror has made:*

- (a) the number of Company Securities owned, controlled or agreed to be acquired by the Offeror Concert Group as at the Latest Practicable Date; and*
- (b) the dealings in the Company Securities by the Offeror Concert Group during the Reference Period.*

13.2 No Other Holdings and Dealings in the Company Securities. *Save as disclosed in this Offer Document, and based on responses received pursuant to enquiries that the Offeror has made, as at the Latest Practicable Date, none of the Offeror and its Concert Parties:*

- (a) owns, controls or has agreed to acquire any Company Securities; or*
- (b) has dealt for value in any Company Securities during the Reference Period.*

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, Mr Anthoni Salim is deemed interested in the 1,039,768,618 Shares held by the Offeror, ISHPL, FPIL and FPILBVI, representing approximately 74.49% of the total issued Shares. Save as disclosed in this Offer Document, as at the Latest Practicable Date, none of the Directors are interested (as interpreted in accordance with Section 164 of the Companies Act), directly or indirectly, in any Company Securities.

13.3 **Other Arrangements in respect of the Company Securities.** Save as disclosed in this Offer Document, and based on responses received pursuant to enquiries that the Offeror has made, as at the Latest Practicable Date, none of the Offeror and its Concert Parties has:

- (a) entered into any arrangement of any kind referred to in Note 7 on Rule 12 of the Code with any person, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to any Company Securities which may be an inducement to deal or refrain from dealing;
- (b) received any irrevocable commitment to accept the Offer in respect of any Company Securities;
- (c) granted any security interest relating to any Company Securities to another person, whether through a charge, pledge or otherwise;
- (d) borrowed any Company Securities from another person (excluding borrowed Company Securities which have been on-lent or sold); or
- (e) lent any Company Securities to another person.

...

APPENDIX 5

DISCLOSURE OF HOLDINGS AND DEALINGS IN COMPANY SECURITIES

1. HOLDINGS IN COMPANY SECURITIES

As at the Latest Practicable Date, based on responses to enquiries that the Offeror has made, the holdings of the Offeror and its Concert Parties in the Company Securities are set out below:

Name	No. of Shares	%(1)
Offeror ⁽²⁾	39,560,830	2.83
ISHPL ⁽²⁾	998,200,000	71.51
FPIL ⁽³⁾	1,125,344	0.08
FPILBVI ⁽⁴⁾	882,444	0.06
Mr Mark Julian Wakeford ⁽⁵⁾	300,000	0.02
Ms Tee Foong Sin ⁽⁶⁾	200,000	0.01
Mr Tay Wei Ming Joshua ⁽⁷⁾	25,000	n.m. ⁽¹¹⁾
Mr Tan Hang Huat ⁽⁸⁾	12,000	n.m. ⁽¹¹⁾
Ms Chew Chai Hoon ⁽⁹⁾	110,000	0.01
CGS-CIMB ⁽¹⁰⁾	200	n.m. ⁽¹¹⁾
Total:	1,040,415,818	74.53

Notes:

(1) Based on a total number of 1,395,904,530 issued Shares as at the Latest Practicable Date.

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- (2) *The Offeror is a holding company of ISHPL with an interest of approximately 83.84% of the total number of issued shares of ISHPL.*
- (3) *FPIL holds approximately 18.20% of the shares of FPC.*
- (4) *FPILBVI holds approximately 14.58% of the shares of FPC.*
- (5) *Mr Mark Julian Wakeford is the Head of Investor Relations of the Offeror, as well as a director of a company within the Offeror Concert Group.*
- (6) *Ms Tee Foong Sin is Mr Mark Julian Wakeford's wife.*
- (7) *Mr Tay Wei Ming Joshua is a director of certain companies within the Offeror Concert Group.*
- (8) *Mr Tan Hang Huat is a director of certain companies within the Offeror Concert Group.*
- (9) *Ms Chew Chai Hoon is Mr Tan Hang Huat's wife.*
- (10) *CGS-CIMB is an associated company of CIMB Group Holdings Berhad, which is the parent company of CIMB.*
- (11) *Not meaningful.*

2. DEALINGS IN COMPANY SECURITIES BY THE OFFEROR CONCERT GROUP DURING THE REFERENCE PERIOD

As at the Latest Practicable Date, based on responses received pursuant to enquiries that the Offeror has made, the details of the dealings in Company Securities by the Offeror Concert Group during the Reference Period are set out below:

No.	Name	Date	No. of Shares Acquired	No. of Shares Sold	Range of Purchase Prices (S\$)	Range of Sale Prices (S\$)
1.	CGS-CIMB	10 January 2019	102,800	102,800	0.205 - 0.215	0.205 - 0.210
2.	CGS-CIMB	14 January 2019	50,400	–	0.210 - 0.220	–
3.	CGS-CIMB	15 January 2019	234,500	198,600	0.200 - 0.215	0.205 - 0.215
4.	CGS-CIMB	16 January 2019	50,100	–	0.200 - 0.205	–
5.	CGS-CIMB	17 January 2019	70,485	95,300	0.180 - 0.205	0.200 - 0.205
6.	CGS-CIMB	18 January 2019	41,500	107,600	0.200	0.199 - 0.205
7.	CGS-CIMB	21 January 2019	–	30,000	–	0.205
8.	CGS-CIMB	22 January 2019	–	15,400	–	0.200 - 0.205
9.	CGS-CIMB	28 January 2019	89,700	89,900	0.225 - 0.230	0.225
10.	CGS-CIMB	31 January 2019	124,200	124,300	0.220 - 0.230	0.225
11.	CGS-CIMB	18 February 2019	91,279	–	0.183 - 0.225	–
12.	CGS-CIMB	19 February 2019	100	97,000	0.220	0.215
13.	CGS-CIMB	20 February 2019	5,700	–	0.210	–

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No.	Name	Date	No. of Shares Acquired	No. of Shares Sold	Range of Purchase Prices (S\$)	Range of Sale Prices (S\$)
14.	CGS-CIMB	21 February 2019	77,600	–	0.220 - 0.225	–
15.	CGS-CIMB	22 February 2019	187,200	244,600	0.215 - 0.230	0.220 - 0.225
16.	CGS-CIMB	25 February 2019	3,800	24,000	0.220	0.225
17.	CGS-CIMB	27 February 2019	302,700	149,800	0.220 - 0.225	0.220
18.	CGS-CIMB	28 February 2019	2,300	98,700	0.205 - 0.215	0.200 - 0.210
19.	CGS-CIMB	1 March 2019	28,800	57,100	0.205 - 0.210	0.205
20.	CGS-CIMB	4 March 2019	–	28,200	–	0.210
21.	CGS-CIMB	7 March 2019	109,700	109,700	0.210 - 0.220	0.210 - 0.215
22.	CGS-CIMB	15 March 2019	30	–	0.182	–

11. CONFIRMATION OF FINANCIAL RESOURCES

Section 14 of the Letter to Shareholders in the Offer Document sets out certain information on the confirmation of financial resources, extracts of which are set out below.

“14. CONFIRMATION OF FINANCIAL RESOURCES

CIMB, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by the holders of the Offer Shares, excluding the Offer Shares which will not be tendered by FPIL and FPILBVI pursuant to the FPIL Irrevocable Undertaking and the FPILBVI Irrevocable Undertaking respectively.”

12. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Offeror Securities and Company Securities as at the Latest Practicable Date are set out in Appendix B to this Circular.

13. ADVICE AND RECOMMENDATION

- 13.1 General.** Shareholders should read and carefully consider the recommendation of the Recommending Directors and the advice of the IFA to the Recommending Directors dated 10 May 2019, which is set out in Appendix A to this Circular (“**IFA Letter**”), before deciding whether to accept or reject the Offer.

LETTER TO SHAREHOLDERS

13.2 Independence of Directors.

- (a) Mr. Moleonoto Tjang is a Non-Recommendating Director as he is also a director of the Offeror.
- (b) Mr. Suaimi Suriady is a Non-Recommendating Director as he is also a director of PT Indofood CBP Sukses Makmur Tbk, a company listed on the Indonesian Stock Exchange and a subsidiary of the Offeror.
- (c) Mr. Tjhie Tje Fie is a Non-Recommendating Director as he is also a director of the Offeror.
- (d) Mr. Axton Salim is a Non-Recommendating Director as he is also a director of the Offeror.
- (e) Mr. Mark Julian Wakeford is a Non-Recommendating Director as he is also the Head of Investor Relations of the Offeror, as well as a director of an entity within the Offeror Concert Group.

Accordingly, each of the Non-Recommendating Directors is a party presumed to be acting in concert with the Offeror under the Code and would face, or may reasonably be perceived to face, a conflict of interest, that would render him inappropriate to join the Recommendating Directors in making a recommendation on the Offer to the Shareholders.

The SIC has ruled that the Non-Recommendating Directors are exempted from making a recommendation to Shareholders in respect of the Offer. The Non-Recommendating Directors must, nonetheless, still assume responsibility for the accuracy of the facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

All of the Recommendating Directors consider themselves independent for the purposes of making a recommendation on the Offer.

13.3 Advice of the IFA to the Recommendating Directors

- (a) **IFA.** Novus Corporate Finance Pte. Ltd. has been appointed as the independent financial adviser to advise the Recommendating Directors in respect of the Offer. Shareholders should consider carefully the recommendation of the Recommendating Directors and the advice of the IFA to the Recommendating Directors before deciding whether to accept or reject the Offer. Novus Corporate Finance Pte. Ltd.'s advice is set out in its letter dated 10 May 2019, which is set out in Appendix A to this Circular.
- (b) **Factors taken into consideration by the IFA.** In arriving at its advice, the IFA has taken into account several key considerations, set forth in paragraph 10 of the IFA Letter. Shareholders should read paragraph 10 of the IFA Letter in conjunction with, and in the context of, the full text of the IFA Letter.
- (c) **Advice of the IFA.** After having regard to the considerations set out in the IFA Letter, an extract of which is set out below, and based on the information available to the IFA as at the Latest Practicable Date, and subject to the qualifications and assumptions set out in the IFA Letter, the IFA has rendered its advice to the Recommendating Directors. Shareholders should read the extract below in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise defined or the context otherwise requires, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

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“10. OPINION AND ADVICE

10.1. Our Opinion

In arriving at our opinion on the financial terms of the Offer, we have taken into consideration, inter alia, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) the Group's gross profits, gross profit margins, net profits attributable to owners of the Company and net profit margins had been declining from FY2016 to FY2018 and from 1Q2018 to 1Q2019. In this regard, the Group had recorded a net loss attributable to owners of the Company of approximately Rp221.8 billion in FY2018 vis-à-vis a net profit attributable to owners of the Company of approximately Rp447.3 billion in FY2017, and recorded a net loss attributable to owners of the Company of approximately Rp57.8 billion in 1Q2019 vis-à-vis a net profit attributable to owners of the Company of approximately Rp49.8 billion in 1Q2018;*
- (b) the Offer Price represents a premium of approximately 23.1%, 29.0%, 26.3% and 21.5% over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively;*
- (c) the Shares had generally underperformed the rebased FSTAS Index during the one-year period prior to and including the Last Trading Day;*
- (d) the Offer Price represents a significant discount of approximately 64.9% to the unaudited NAV per Share of the Group as at 31 March 2019;*
- (e) the P/NAV multiple of 0.351 times as implied by the Offer Price is above the corresponding average historical trailing P/NAV multiples of the Shares of 0.276 times, 0.262 times, 0.269 times and 0.268 times respectively for each of the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day;*
- (f) in respect of the Group's operating performance vis-à-vis the Comparable Companies in FY2018:*
 - (i) the Group's gross profit margin of 15.6% is generally at the lower end of the range of gross profit margins of the Comparable Companies of between 9.1% and 44.0%;*
 - (ii) at the PBT level, 2 of the Comparable Companies had recorded pre-tax losses. Adjusted for the one-off item in relation to the loss on deemed disposal on investment in CMAA in FY2018, the Group's PBT margin of 0.3% is below the range of PBT margins of the other 3 Comparable Companies of between 1.2% and 28.6%;*
 - (iii) the Group's net debt level of approximately S\$849.8 million is higher than those of most of the Comparable Companies, which net debt levels ranged between approximately S\$346.4 million and approximately S\$3,839.2 million (excluding Global Palm which is in a net cash position);*
 - (iv) the Group's net gearing ratio of 0.43 times is generally at the lower end of the range of net gearing ratios of the Comparable Companies of between 0.29 times and 11.48 times (excluding Global Palm which is in a net cash position);*

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- (v) *2 of the Comparable Companies recorded a return on equity of 12.9% and 14.1% and a return on assets of 6.6% and 7.6%, while the Group and the other 3 Comparable Companies recorded after-tax losses;*
 - (vi) *the Group's FFB yield of 15.2 tonnes/hectare is below the range of FFB yields of the Comparable Companies of between 16.6 tonnes/hectare and 22.5 tonnes/hectare; and*
 - (vii) *the Group's CPO yield of 3.2 tonnes/hectare is below the range of CPO yields of the Comparable Companies of between 3.3 tonnes/hectare and 6.4 tonnes/hectare;*
- (g) *in respect of the Comparable Companies:*
- (i) *the EV/EBITDA ratio of the Company of 11.11 times (as implied by the Offer Price) is (aa) within the range of EV/EBITDA ratios of the Comparable Companies of between 8.48 times and 71.07 times, (bb) below the mean EV/EBITDA ratio of the Comparable Companies of 15.26 times, and (cc) above the median EV/EBITDA ratio of the Comparable Companies of 10.64 times;*
 - (ii) *the EV/Hectare of the Company of S\$8,560 (as implied by the Offer Price) is (aa) within the range of EV/Hectare of the Comparable Companies of between S\$1,943 and S\$19,862, and (bb) significantly below the mean and median EV/Hectare of the Comparable Companies of S\$12,316 and S\$13,918 respectively; and*
 - (iii) *the P/NAV ratio of the Company of 0.35 times (as implied by the Offer Price) is (aa) below the range of P/NAV ratios of the Comparable Companies of between 0.66 times and 2.27 times, and (bb) significantly below the mean and median P/NAV ratios of the Comparable Companies of 1.24 times and 0.86 times respectively;*
- (h) *in respect of the Precedent Privatisations:*
- (i) *the premium of approximately 7.7% (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 1.6% and 164.9%, and (bb) significantly below the corresponding mean and median premia of the Precedent Privatisations of 29.3% and 27.7% respectively;*
 - (ii) *the premium of approximately 21.5% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 6.4% and 160.2%, and (bb) below the corresponding mean and median premia of the Precedent Privatisations of 34.6% and 32.9% respectively;*
 - (iii) *the premium of approximately 26.3% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 11.9% and 167.9%, and (bb) below the corresponding mean and median premia of the Precedent Privatisations of 38.1% and 34.5% respectively;*

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- (iv) *the premium of approximately 29.0% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 15.7% and 177.6%, and (bb) below the corresponding mean and median premia of the Precedent Privatisations of 39.0% and 37.7% respectively; and*
- (v) *the P/NAV ratio of the Company of 0.35 times (as implied by the Offer Price) is (aa) within the range of P/NAV ratios of the Precedent Privatisations of between 0.30 times and 4.50 times, and (bb) significantly below the corresponding mean and median P/NAV ratios of the Precedent Privatisations of 0.94 times and 0.84 times respectively;*
- (i) *the Offer Price exceeds the analysts' target prices for the Shares ranging between S\$0.19 and S\$0.26;*
- (j) *the likelihood of a competing offer is remote in view of the Offeror Concert Group's shareholding interest of approximately 74.53% in the Company as at 16 April 2019;*
- (k) *the Offeror already has statutory control over the Company which places the Offeror in a position to significantly influence, inter alia, the management, operating and financial policies of the Company and the ability to pass all ordinary resolutions at the Company's general meetings on matters in which the Offeror Concert Group do not have an interest; and*
- (l) *the Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror Concert Group before or during the Offer, will result in the Offeror Concert Group holding more than 90% of the total number of Shares as at the close of the Offer (excluding treasury shares).*

*Having considered the aforesaid points including the various factors set out in this Letter and summarised in this section, we are of the opinion that, on balance, the financial terms of the Offer are **not fair but reasonable**.*

*In determining that the Offer is **not fair**, we have considered the following pertinent factors:*

- (i) *the Offer Price represents a significant discount to the unaudited NAV per Share of the Group as at 31 March 2019;*
- (ii) *the EV/EBITDA ratio and EV/Hectare of the Company (as implied by the Offer Price) are generally below the corresponding mean and median EV/EBITDA ratios and EV/Hectare of the Comparable Companies, and the P/NAV ratio of the Company (as implied by the Offer Price) is below the range of P/NAV ratios of the Comparable Companies; and*
- (iii) *the premia of the Offer Price over each of the last transacted price, the one-month VWAP, the 3-month VWAP and the 6-month VWAP of the Shares up to and including the Last Trading Day are below the corresponding mean and median premia of the Precedent Privatisations respectively, and the P/NAV ratio of the Company (as implied by the Offer Price) is significantly below the corresponding mean and median P/NAV ratios of the Precedent Privatisations.*

LETTER TO SHAREHOLDERS

In determining that the Offer is **reasonable**, we have considered the following pertinent factors:

- (i) the Group's gross profits and gross profit margins had been declining from FY2016 to FY2018 and from 1Q2018 to 1Q2019, while the net profits attributable to owners of the Company and net profit margins had also decreased from FY2016 to FY2017 and turned into a net loss attributable to owners of the Company and a net loss margin in each of FY2018 and 1Q2019;
- (ii) the Offer Price represents a premium of between 21.5% and 29.0% over the VWAPs of the Shares for each of the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day;
- (iii) the Shares had generally underperformed the rebased FSTAS Index during the one-year period prior to and including the Last Trading Day;
- (iv) notwithstanding that the Offer Price is at a significant discount to the unaudited NAV per Share as at 31 March 2019, the P/NAV multiple as implied by the Offer Price is above the corresponding average historical trailing P/NAV multiples of the Shares for each of the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day;
- (v) the Group's operating performance vis-à-vis the Comparable Companies in FY2018 viz. its generally lower gross profit margin, lower FFB yield and lower CPO yield;
- (vi) the Offer Price exceeds the analysts' target prices for the Shares;
- (vii) there is no alternative take-over offer for the Shares as at the Latest Practicable Date; and
- (viii) the Offeror already has statutory control over the Company which places the Offeror in a position to significantly influence, inter alia, the management, operating and financial policies of the Company.

10.2. Our Advice

Accordingly, we advise the Recommending Directors to recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions.

We would advise the Recommending Directors to consider highlighting to the Shareholders that there is no assurance that the market prices of the Shares after the close of the Offer may be maintained at current levels prevailing as at the Latest Practicable Date.

The Recommending Directors should note that transactions of the Shares are subject to possible market fluctuations and accordingly, our opinion and advice on the Offer do not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review."

LETTER TO SHAREHOLDERS

- 13.4 Recommendation of the Recommending Directors.** The Recommending Directors, having considered carefully the terms of the Offer and the advice given by the IFA in the IFA Letter, concur with the advice of the IFA in respect of the Offer as set out in Section 13.3 of this Circular and in the IFA Letter. Accordingly, the Recommending Directors recommend that Shareholders ACCEPT the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions.
- 13.5 No regard to specific objectives.** Shareholders should note that the IFA's advice and the recommendation of the Recommending Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer. In rendering the advice and the recommendation above, both the IFA and the Recommending Directors have not had regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Recommending Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

SHAREHOLDERS ARE ADVISED TO READ THE FULL TEXT OF THE IFA LETTER WHICH IS SET OUT IN APPENDIX A TO THIS CIRCULAR CAREFULLY.

14. OVERSEAS SHAREHOLDERS

- 14.1 Availability of Offer.** The availability of the Offer to Shareholders, whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be), may be affected by the laws of the relevant overseas jurisdiction.

Overseas Shareholders should refer to Section 15 of the Letter to Shareholders in the Offer Document, extracts of which are set out below.

"15. OVERSEAS SHAREHOLDERS

- 15.1 Overseas Jurisdictions.** *This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law.*

The release, publication or distribution of this Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Offer Document is released, published or distributed should inform themselves about and observe such restrictions.

Copies of this Offer Document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer will violate the laws of that jurisdiction ("Restricted Jurisdiction") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

LETTER TO SHAREHOLDERS

15.2 Overseas Shareholders. *The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be) (each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions.*

For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom the Offer Document and the relevant Acceptance Forms may not be sent.

It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant overseas jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, its related corporations, CIMB, CDP, the Registrar and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror, its related corporations, CIMB, CDP, the Registrar and/or any person acting on their behalf may be required to pay. In accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror and CIMB that he is in full observance of the laws of the relevant jurisdiction in that connection and that he is in full compliance with all necessary formalities or legal requirements.

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

15.3 Copies of the Offer Document and the relevant Acceptance Forms. *Where there are potential restrictions on sending this Offer Document and the relevant Acceptance Forms to any overseas jurisdiction, the Offeror and CIMB each reserves the right not to send these documents to Overseas Shareholders in such overseas jurisdictions. Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, attend in person and obtain a copy of this Offer Document, the relevant Acceptance Forms and any related documents during normal business hours and up to the Closing Date, from the office of the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write to the Offeror c/o the Registrar at the abovestated address to request for the Offer Document, the relevant Acceptance Forms and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.*

15.4 Notice. *The Offeror and CIMB each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.”*

14.2 Copies of Circular. This Circular may not be sent to Overseas Shareholders due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Shareholder may, nevertheless, obtain copies of this Circular during normal business hours up to the Closing Date, from the offices of the Registrar at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, download a copy of this Circular from the website of the SGX-ST at www.sgx.com, or make a request to the Registrar for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

LETTER TO SHAREHOLDERS

15. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

Section 16 of the Letter to Shareholders in the Offer Document sets out information pertaining to CPFIS Investors and SRS Investors, extracts of which are set out below.

“16. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

16.1 CPFIS Investors. *CPFIS Investors will receive further information on how to accept the Offer from their respective CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice.*

CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks accordingly by the deadline stated in the letter from their respective CPF Agent Banks. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, CPFIS Investors who validly accept the Offer will receive the Offer Price in respect of their Offer Shares, in their CPF investment accounts.

16.2 SRS Investors. *SRS Investors will receive further information on how to accept the Offer from their respective SRS Agent Banks directly. SRS Investors are advised to consult their respective SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice.*

SRS Investors who wish to accept the Offer are to reply to their respective SRS Agent Banks accordingly by the deadline stated in the letter from their respective SRS Agent Banks. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, SRS Investors who validly accept the Offer will receive the Offer Price in respect of their Offer Shares, in their SRS investment accounts.”

16. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who **wish to accept the Offer** must do so not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer as set out in respectively, Appendix 2 to the Offer Document and in the accompanying FAA and/or FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received on behalf of the Offeror:

- (i) by CDP (in respect of the FAA); or
- (ii) by the Registrar (in respect of the FAT),

as the case may be, not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Shareholders who **do not wish to accept the Offer** need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

17. CONSENTS

Novus Corporate Finance Pte. Ltd., named as the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter as set out in Appendix A to this Circular, the IFA 1QFY2019 Results Report (as set out in Appendix E to this Circular), and all references to the IFA's name, in the form and context in which they appear in this Circular.

LETTER TO SHAREHOLDERS

Ernst & Young LLP, named as the auditors of the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the independent auditor's report in relation to the audited financial statements of the Group for FY2018, the Auditor 1QFY2019 Results Report (as set out in Appendix E to this Circular), and all references to the Auditors' name, in the form and context in which they appear in this Circular.

18. VALIDITY OF THE 1QFY2019 RESULTS

As the 1QFY2019 Results are unaudited statements of interim results announced during the offer period (which for purposes of Rule 25 of the Code commences on the Offer Announcement Date and ends on the date the Offer is declared to have closed) and before the Offer has been publicly recommended by the Board, such statements constitute a "profit forecast" under Rule 25 of the Code. Accordingly, the Directors are of the view that the 1QFY2019 Results, which were announced on 30 April 2019, remains valid for the purpose of the Offer and Ernst & Young LLP, the auditors of the Company, has no objection to the Auditor 1QFY2019 Results Report and the IFA has no objection to the IFA 1QFY2019 Results Report, each as set out in Appendix E to this Circular, continuing to apply.

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818 during normal business hours from the date of this Circular up to and including the date of the Closing Date:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018, which include the audited consolidated financial statements of the Group for FY2016, FY2017 and FY2018;
- (c) the IFA Letter as set out in Appendix A to this Circular;
- (d) the 1QFY2019 Results as set out in Appendix E to this Circular, including (i) the Auditor 1QFY2019 Results Report from Ernst & Young LLP dated 30 April 2019; and (ii) the IFA 1QFY2019 Results Report from the IFA dated 30 April 2019; and
- (e) the letters of consent referred to in Section 17 of this Circular.

20. DIRECTORS' RESPONSIBILITY STATEMENT

Save for (a) the IFA Letter and the IFA 1QFY2019 Results Report (for which the IFA takes responsibility); (b) the information extracted from the Offer Announcement and the Offer Document; and (c) the information relating to the Offeror, the Directors (including any who may have delegated detailed supervision of this Circular) hereby jointly and severally accept full responsibility for the accuracy of information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

Where any information in this Circular (other than the IFA Letter and the IFA 1QFY2019 Results Report for which the IFA takes responsibility) has been extracted or reproduced from published or otherwise publicly available sources (including, but not limited to, the Offer Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately extracted from such sources and/or reproduced in this Circular in its proper form and context.

In respect of the Auditor 1QFY2019 Results Report and the IFA 1QFY2019 Results Report, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

LETTER TO SHAREHOLDERS

21. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
INDOFOOD AGRI RESOURCES LTD.

Lee Kwong Foo, Edward
Chairman

APPENDIX A – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER

NOVUS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201723484W)

9 Raffles Place
#17-05 Republic Plaza Tower 1
Singapore 048619

10 May 2019

To: The Recommending Directors of Indofood Agri Resources Ltd. (the “**Company**”)
(in respect of the Offer (as defined below))

Mr. Lee Kwong Foo, Edward
Mr. Lim Hock San
Mr. Goh Kian Chee
Mr. Hendra Susanto

Dear Sirs,

INDEPENDENT FINANCIAL ADVICE TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 10 May 2019 (the “**Circular**”) issued by the Company to the shareholders of the Company (the “**Shareholders**”) shall have the same meanings herein.*

1. INTRODUCTION

On 10 April 2019 (the “**Offer Announcement Date**”), CIMB Bank Berhad, Singapore Branch (“**CIMB**”) announced (the “**Offer Announcement**”), for and on behalf of PT Indofood Sukses Makmur Tbk (the “**Offeror**”), that the Offeror intends to make a voluntary conditional cash offer (the “**Offer**”) to acquire all the issued and paid-up ordinary shares in the capital of the Company (excluding any shares held in treasury) (the “**Shares**”) other than those already held by the Offeror and its related corporations, and their respective nominees as at the date of the Offer (the “**Offer Shares**”) in accordance with Rule 15 of The Singapore Code on Take-overs and Mergers (the “**Code**”).

In connection with the Offer, Novus Corporate Finance Pte. Ltd. (“**NCF**”) has been appointed by the Company as the independent financial adviser (the “**IFA**”) to the directors of the Company (the “**Directors**”) who are considered independent for the purposes of making a recommendation to the Shareholders in respect of the Offer as required under the Code (the “**Recommending Directors**”).

This letter (“**Letter**”) is addressed to the Recommending Directors and sets out, *inter alia*, our evaluation of the financial terms of the Offer and our opinion and advice thereon, and forms part of the Circular providing, *inter alia*, details of the Offer and the recommendation of the Recommending Directors.

2. TERMS OF REFERENCE

We have been appointed to advise the Recommending Directors on the financial terms of the Offer in compliance with the provisions of the Code. We have confined our evaluation to the financial terms of the Offer and have not taken into account the strategic, legal, commercial risks and/or commercial merits of the Offer.

Our terms of reference do not require us to evaluate or comment on the rationale for or the strategic or long-term merits of the Offer or on the future prospects of the Company and its subsidiaries (collectively, the “**Group**”) or the method and terms by which the Offer has been made or any other alternative methods by which the Offer may be made. Such evaluations and comments remain the sole responsibility of the Directors, although we may draw upon their views or make such comments

APPENDIX A – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER

in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion and advice as set out in this Letter.

We are not authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. We are therefore not addressing the relative merits of the Offer as compared to any alternative transaction that may be available to the Company (or the Shareholders) or as compared to any alternative offer that might otherwise be available in the future.

In the course of our evaluation of the financial terms of the Offer, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Group. We have also relied on information and representations, whether written or verbal, including relevant financial analyses, estimates and information contained in the Circular, provided by the management of the Company (the “**Management**”), the Directors and the Company’s solicitors and/or auditors. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information or representations. We have nevertheless made reasonable enquiries and exercised our judgement as we deemed necessary in assessing the information and representations provided to us and have found no reason to doubt the reliability of the information and representations.

We have relied upon the assurances of the Directors that, upon making all reasonable enquiries and to the best of their respective knowledge, information and belief, (a) all material information in connection with the Offer, the Company and/or the Group has been disclosed to us, (b) such information is true, complete and accurate in all material respects, and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors jointly and severally accept responsibility accordingly.

For the purposes of assessing the financial terms of the Offer and reaching our conclusion thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of the Group. We have also not relied upon any financial projections or forecasts in respect of the Company and/or the Group for the purpose of our evaluation of the Offer. We are not required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion and advice in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group. As such, we have relied on the disclosures and representations made by the Company on the value of the assets, liabilities and profitability of the Company and/or the Group. We have also not been furnished with any such independent valuation or appraisal reports.

Our analysis, opinion and advice as set out in this Letter are based on the market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at, 3 May 2019 (the “**Latest Practicable Date**”). Such conditions may change significantly over a relatively short period of time, and we assume no responsibility to update, revise or reaffirm our opinion and advice in light of any subsequent development after the Latest Practicable Date that may affect our opinion and advice contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion and advice, we have not had regard to the specific investment objectives, financial situation, tax status, risk profile or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profile, we would advise the Recommending Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. As such, our opinion and advice should not be the sole basis for any Shareholder in deciding whether or not to accept the Offer.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

APPENDIX A – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER

Our opinion and advice in respect of the Offer, as set out in paragraph 10 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.

3. THE OFFER

Shareholders should have by now received a copy of the offer document dated 26 April 2019 (the “**Offer Document**”) that contains the formal offer by CIMB, for and on behalf of the Offeror, to acquire all the Offer Shares, subject to the terms and conditions of the Offer as set out in the Offer Document, the form of acceptance and authorisation for Offer Shares (the “**FAA**”) and the form of acceptance and transfer for Offer Shares (the “**FAT**”). The principal terms and conditions of the Offer are set out in section 2 of the Offer Document, as extracted on the following basis:

3.1. Offer Shares

The Offer is extended to all the Offer Shares. For the avoidance of doubt, the Offer will be extended, on the same terms and conditions, to all the Shares owned, controlled or agreed to be acquired by parties acting or presumed to be acting in concert with the Offeror in connection with the Offer (other than the Offeror’s related corporations and their respective nominees). For the purpose of the Offer, the Offer Shares shall include such Shares.

Shareholders may choose to accept the Offer in respect of all or part of their holdings of Offer Shares.

3.2. Offer Price

The consideration for each Offer Share is **S\$0.28 in cash** (the “**Offer Price**”).

3.3. Acceptance Condition

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting or presumed to be acting in concert with the Offeror in connection with the Offer (the “**Offeror Concert Group**”) before or during the Offer, will result in the Offeror Concert Group holding more than 90% of the total number of Shares as at the close of the Offer (excluding treasury shares) (the “**Acceptance Condition**”).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Shares which will result in the Offeror meeting the Acceptance Condition.

Save for the Acceptance Condition, the Offer is unconditional in all other respects.

As at 16 April 2019 (being the latest practicable date in the Offer Document), based on the latest information available to the Offeror, the Offeror Concert Group holds an aggregate of 1,040,415,818 Shares, representing approximately 74.53% of the total number of issued Shares, details of which are set out in Appendix 5 to the Offer Document.

3.4. No Encumbrances

The Offer Shares are to be acquired (a) fully paid, (b) free from all claims, charges, equities, mortgages, liens, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (“**Encumbrances**”), and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights and other distributions declared, paid or made by the Company (collectively, the “**Distributions**”) (if any), the distribution record date (the “**Distribution Record Date**”) for which falls on or after the Offer Announcement Date. The Distribution Record Date means, in relation to any Distributions, the date on which Shareholders must be registered with the Company or with The Central Depository (Pte) Limited (“**CDP**”), as the case may be, in order to participate in such Distributions.

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3.5. Adjustments for Distributions

Without prejudice to the generality of the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distributions, the Distribution Record Date for which falls on or after the Offer Announcement Date. In the event of any such Distribution, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution as follows, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by Shareholders (the “Offer Settlement Date”) falls:

- (a) if the Offer Settlement Date falls on or before the Distribution Record Date, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Price of S\$0.28 for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and
- (b) if the Offer Settlement Date falls after the Distribution Record Date, the Offer Price payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.

3.6. Revision of Terms of the Offer

The Offeror reserves the right to revise the terms of the Offer (other than the Acceptance Condition) in accordance with the Code.

3.7. Warranty

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to all Distributions (if any), the Distribution Record Date for which falls on or after the Offer Announcement Date.

3.8. Further Details of the Offer

Further details of the Offer, including (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement(s) on the level of acceptances of the Offer, and (d) the right of withdrawal of acceptances of the Offer, are set out in Appendix 1 to the Offer Document.

Please refer to Appendix 2 to the Offer Document for the procedures for acceptance of the Offer.

4. NO DOWNSTREAM OFFER

As at 16 April 2019, the Company holds an aggregate shareholding interest of approximately 73.46% in PT Salim Ivomas Pratama Tbk (“SIMP”), a company listed on the Indonesia Stock Exchange. The Offeror has received advice that it will not be required to make a takeover offer for SIMP as a result of the Offer.

5. INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from section 6 of the Offer Document and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document. Please also refer to Appendix 3 to the Offer Document for additional information on the Offeror.

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“6. INFORMATION ON THE OFFEROR

6.1 **Offeror.** *The Offeror is a company incorporated in Indonesia on 14 August 1990 and is listed on the Indonesia Stock Exchange.*

The Offeror 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 in the market. The Offeror is a well-established company and a leading player in each category of business in which it operates, which are categorised into four (4) complementary Strategic Business Groups, namely:

- (a) Consumer Branded Products Group which produces a diverse range of consumer branded products including noodles, dairy products, snack foods, food seasonings, nutrition and special foods as well as beverages;*
- (b) Bogasari Group which is primarily a producer of wheat flour and pasta. Its business operations are supported by shipping and packaging units;*
- (c) Agribusiness Group with principal activities ranging from research and development, seed breeding, oil palm cultivation and milling; as well as the production and marketing of branded cooking oils, margarine and shortening. In addition, the Agribusiness Group is also involved in the cultivation and processing of rubber and sugar cane as well as other crops; and*
- (d) Distribution Group which boasts the most extensive distribution network in Indonesia. It distributes the majority of the Offeror’s consumer products as well as third party products.*

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of IDR 878,042,650,000 comprising 8,780,426,500 issued Offeror Shares, of which 4,396,103,450 Offeror Shares, representing approximately 50.07% of the total number of Offeror Shares, are held indirectly by FPC. FPC is listed on the Stock Exchange of Hong Kong Limited. Mr Anthoni Salim has an aggregate deemed interest of approximately 44.35% in the issued share capital of FPC, including his deemed interest held through FPIL’s and FPILBVI’s direct interests in FPC.

As at the Latest Practicable Date, the directors of the Offeror are as follows:

- (a) Mr Anthoni Salim;*
- (b) Mr Franciscus Welirang;*
- (c) Mr Tjhie Tje Fie;*
- (d) Mr Taufik Wiraatmadja;*
- (e) Mr Paulus Moleonoto (also known as Mr Moleonoto Tjang);*
- (f) Mr Axton Salim;*
- (g) Mr Joedianto Soejonopoetro;*
- (h) Mr Hendra Widjaja; and*
- (i) Mr Sulianto Pratama.*

Offeror’s Shareholding in the Company. *As at the Latest Practicable Date, the Offeror has a direct interest in 39,560,830 Shares and a deemed interest in 998,200,000 Shares held by its subsidiary, ISHPL (representing approximately 2.83% and 71.51% of the total number of the Shares respectively). As at the Latest Practicable Date, the Offeror owns approximately*

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83.84% of ISHPL, with the remaining shareholding interests of 16.16% owned by two (2) minority third party shareholders.”

6. IRREVOCABLE UNDERTAKINGS

The following information has been extracted from section 7 of the Offer Document and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

“7. IRREVOCABLE UNDERTAKINGS

- 7.1 ***FPIL Irrevocable Undertaking.*** *FPIL holds approximately 18.20% of the shares of FPC. As at the Latest Practicable Date, the Offeror has received an undertaking from FPIL (the “FPIL Irrevocable Undertaking”) pursuant to which FPIL has, amongst other things, irrevocably undertaken to and confirmed with the Offeror (a) the concert party relationship between the Offeror and FPIL for the purposes of the Offer, (b) not to tender any of the 1,125,344 Shares (representing approximately 0.08% of the total number of Shares) held by it in acceptance of the Offer, and (c) not to sell, transfer or otherwise dispose of the Shares held by it.*
- 7.2 ***FPILBVI Irrevocable Undertaking.*** *FPILBVI holds approximately 14.58% of the shares of FPC. As at the Latest Practicable Date, the Offeror has received an undertaking from FPILBVI (the “FPILBVI Irrevocable Undertaking”) pursuant to which FPILBVI has, amongst other things, irrevocably undertaken to and confirmed with the Offeror (a) the concert party relationship between the Offeror and FPILBVI for the purposes of the Offer, (b) not to tender any of the 882,444 Shares (representing approximately 0.06% of the total number of Shares) held by it in acceptance of the Offer, and (c) not to sell, transfer or otherwise dispose of the Shares held by it.”*

7. INFORMATION ON THE COMPANY

Please refer to Appendix B to the Circular for information on the Company.

8. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from section 9 of the Offer Document and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

“9. RATIONALE FOR THE OFFER

- 9.1 ***Intention to Delist and Privatisise the Company.*** *The Offeror is making the Offer with a view to delisting and privatising the Company. The Offeror is of the view that the delisting and privatisation of the Company will enable the Offeror to reduce and streamline the number of listed entities within its group structure and provide the Offeror and the management of the Company with flexibility in the implementation of any strategic initiatives and/or operational changes of the Company and its subsidiaries.*
- 9.2. ***Opportunity for Shareholders to realise their investment in the Shares at a premium to market price without incurring brokerage costs.*** *The Offer Price represents a premium of approximately 21.5%, 26.3%, 29.0% and 23.1% over the VWAP¹ per Share for the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month periods up to and including 5 April 2019, being the Last Trading Day.*

The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

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- 9.3 **Low Trading Liquidity.** *The trading volume of the Shares has been low, with an average daily trading volume² of approximately 905,613 Shares, 709,084 Shares, 482,507 Shares and 586,141 Shares during the one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including the Last Trading Day. These represent only 0.06%, 0.05%, 0.03% and 0.04% of the total number of issued Shares for the aforementioned relevant periods, respectively.*

The Offer therefore provides Shareholders with an opportunity to realise their entire investment in the Shares at a premium over the prevailing market prices which may not otherwise be readily available to Shareholders given the low trading liquidity of the Shares.

¹ *The VWAPs are based on data extracted from Bloomberg L.P. and the calculation of VWAP does not include married trade transactions within the relevant periods.*

² *The average daily trading volumes are based on data extracted from Bloomberg L.P. and are calculated by using the total volume of Shares traded divided by the number of market days with respect to the one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including the Last Trading Day. Calculation of average daily trading volume does not include married trade transactions within the relevant periods.”*

9. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In assessing the financial terms of the Offer, we have considered the following which we view as pertinent and having a significant bearing on our evaluation:

- (a) Historical financial performance of the Group;
- (b) Historical market price performance and trading activity of the Shares;
- (c) Historical Share price performance relative to market index;
- (d) NAV and net debt position of the Group;
- (e) Historical trailing P/NAV multiples of the Shares;
- (f) Valuation ratios of selected companies listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) which principal business activities are broadly comparable to those of the Group;
- (g) Selected precedent privatisation and delisting transactions involving companies listed on the SGX-ST;
- (h) Analysts’ target prices for the Shares; and
- (i) Other relevant considerations.

The figures, underlying financial and market data used in our analysis, including securities prices, trading volumes, free float data and foreign exchange rates have been extracted from Thomson Reuters Eikon under Refinitiv (formerly the Thomson Reuters Financial & Risk business), the SGX-ST and other public filings as at the Latest Practicable Date or as provided by the Company where relevant. NCF makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

9.1. Historical Financial Performance of the Group

For the purpose of evaluating the financial terms of the Offer, we have considered the audited consolidated financial statements of the Group for the financial years ended 31 December 2016 (“**FY2016**”), 31 December 2017 (“**FY2017**”) and 31 December 2018 (“**FY2018**”), as well as the unaudited interim condensed consolidated financial statements of the Group for the 3-month financial period ended 31 March 2019 (“**1Q2019**”) and its comparative figures for the 3-month financial period ended 31 March 2018 (“**1Q2018**”). The following summary of the financial information should be read

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in conjunction with the full text of the Group's published financial statements for FY2016, FY2017, FY2018, 1Q2018 and 1Q2019 in respect of the relevant financial years/periods including the notes thereto.

Consolidated statement of comprehensive income

Rp million	-----Audited-----			-----Unaudited-----	
	FY2016	FY2017 ⁽¹⁾ (restated)	FY2018	1Q2018 ⁽²⁾	1Q2019
Revenue	14,530,938	15,725,304	14,059,450	3,189,662	3,358,231
Gross profit	3,488,736	3,061,446	2,197,924	646,363	460,966
<i>Gross profit margin (%)</i>	24.0	19.5	15.6	20.3	13.7
Profit from operations	2,263,035	1,677,691	656,397	260,920	104,687
Profit/(loss) before tax ⁽³⁾	1,689,541	1,138,153	(46,413)	131,163	(80,273)
Net profit/(loss) for the year/period attributable to owners of the Company	506,540	447,314	(221,764)	49,798	(57,790)
<i>Net profit/(loss) margin (%)</i>	3.5	2.8	(1.6)	1.6	(1.7)

Consolidated cash flow statement

Rp million	-----Audited-----			-----Unaudited-----	
	FY2016	FY2017 ⁽¹⁾ (restated)	FY2018	1Q2018 ⁽²⁾	1Q2019
Net cash flows generated from operating activities	2,036,910	1,930,645	996,308	234,182	441,036
Net cash flows used in investing activities	(1,592,354)	(1,707,479)	(2,065,104)	(505,601)	(854,249)
Net cash flows generated from financing activities	2,435	294,868	337,882	214,978	467,244
Net increase/(decrease) in cash and cash equivalents	446,991	518,034	(730,914)	(56,441)	54,031
Cash and cash equivalents at end of year/period	2,404,838	2,929,674	2,228,869	2,883,194	2,274,516

Source: Annual reports of the Company for FY2017 and FY2018 and the unaudited consolidated financial statements of the Group for 1Q2019 and its comparative figures in 1Q2018

Notes:

(1) Based on the figures reflected in the annual report of the Company for FY2018.

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- (2) Based on the figures reflected in the announcement of the unaudited financial statements of the Group for 1Q2019.
- (3) Excluding the one-off gain in relation to a Rp107.3 billion claim from a contractor for a significant delay in the completion of a turnkey project in FY2016 and the loss on deemed disposal on investment in Companhia Mineira de Açúcar e Álcool Participações (“CMAA”) where the shareholding interest in CMAA was diluted from 50% to 35% of Rp87.0 billion in FY2018, the adjusted profit before tax would have been Rp1,582.2 billion in FY2016 and Rp40.6 billion in FY2018.

Consolidated statement of comprehensive income

FY2016 vs FY2017

The revenue of the Group increased by approximately Rp1,295.7 billion or 8.9% from approximately Rp14,531.0 billion in FY2016 to approximately Rp15,725.3 billion in FY2017, mainly due to higher sales volume and average selling prices of palm products which was partially offset by lower sugar sales, and an increase in the revenue of the edible oils and fats (“EOF”) division mainly due to higher sales of cooking oil and margarine products. The sales improvement in the EOF division was attributed to competitive pricing and heightened marketing activities such as brand campaigns and tactical promotions.

The gross profit of the Group decreased by approximately Rp427.3 billion or 12.2% from approximately Rp3,488.7 billion in FY2016 to approximately Rp3,061.4 billion in FY2017, mainly due to higher fertiliser application and lower profit contribution from sugar operation in Indonesia. Accordingly, the gross profit margin decreased from 24.0% in FY2016 to 19.5% in FY2017.

The profit before tax of the Group decreased by approximately Rp551.4 billion or 32.6% from approximately Rp1,689.5 billion in FY2016 to approximately Rp1,138.2 billion in FY2017, mainly due to (a) the decrease in gross profit, (b) the recognition of foreign exchange losses in FY2017 *vis-à-vis* a foreign exchange gain in FY2016 mainly due to the weakening of the Indonesian Rupiah against the US Dollar, (c) a decrease in operating income mainly attributable to the absence of a claim from a contractor for a significant delay in the completion of a turnkey project recognised in FY2016, and (d) the decrease in the gain arising from the changes in the fair values of biological assets mainly attributable to lower selling prices and lower production volume of growing produce for palm trees, offset by (a) a decrease in the loss from the share of results of associate companies mainly due to the discontinuation of equity accounting for Heliae Technology Holdings, Inc. (“Heliae”) as a result of a loss of significant influence since October 2016, and (b) the recognition of profit from the share of results of a joint venture in FY2017 as a result of higher contribution from CMAA principally due to higher selling prices, higher production and lower foreign currency impacts *vis-à-vis* the recognition of loss from the share of results of a joint venture in FY2016.

The net profit for the year attributable to owners of the Company decreased by approximately Rp59.2 billion or 11.7% from approximately Rp506.5 billion in FY2016 to approximately Rp447.3 billion in FY2017, mainly due to the decrease in profit from operations. Accordingly, the Group’s net profit margin declined from 3.5% in FY2016 to 2.8% in FY2017.

FY2017 vs FY2018

The revenue of the Group decreased by approximately Rp1,665.9 billion or 10.6% from approximately Rp15,725.3 billion in FY2017 to approximately Rp14,059.5 billion in FY2018, mainly due to lower average selling prices of agricultural crops despite an increase in the palm production from the Plantation division, which was offset by the sales growth in the EOF division.

The gross profit of the Group decreased by approximately Rp863.5 billion or 28.2% from approximately Rp3,061.4 billion in FY2017 to approximately Rp2,197.9 billion in FY2018, mainly due to the effect of lower selling prices of palm products (crude palm oils and palm kernel), which was partially offset by higher profit contribution from the EOF division. Accordingly, the gross profit margin decreased from 19.5% in FY2017 to 15.6% in FY2018.

The Group recorded a profit before tax of approximately Rp1,138.2 billion in FY2017 *vis-à-vis* a loss before tax of approximately Rp46.4 billion in FY2018, mainly due to (a) the decrease in revenue and gross profit, (b) an increase in foreign exchange loss mainly due to the weakening of the Indonesian Rupiah against the US Dollar, (c) a decrease in share of results of joint ventures due to the lower

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prices of raw sugar, (d) the recognition of fair value loss arising from the changes in the fair values of biological assets in FY2018 mainly due to lower selling prices of fresh fruit bunches *vis-à-vis* a fair value gain in FY2017, (e) the recognition of a loss on deemed disposal for investment in a joint venture arising from business combination under common control using book value instead of fair value for the acquisition of Vale do Pontal Açúcar e Álcool Ltda (“UVP”), and (f) an increase in financial expenses mainly due to higher working capital facilities and higher blended interest rate which was in line with the interest rate hikes by the US Fed and the Bank of Indonesia, offset by (a) a decrease in operating expenses mainly due to the impairment of an available-for-sale investment (Heliæ) and the write-off of an unrecoverable advance in FY2017, and (b) a decrease in the loss from the share of results of associate companies mainly due to lower loss from FP Natural Resources Limited (“FPNRL”) (which operates mainly sugar business in the Philippines). Excluding the loss on deemed disposal for investment in the joint venture, the profit before tax would have been approximately Rp40.6 billion in FY2018.

The Group recorded a net profit for the year attributable to owners of the Company of approximately Rp447.3 billion in FY2017 *vis-à-vis* a net loss for the year attributable to owners of the Company of approximately Rp221.8 billion in FY2018, mainly due to (a) the decrease in profit from operations, (b) the recognition of a loss on deemed disposal for investment in the joint venture arising from business combination under common control using book value instead of fair value for the acquisition of UVP, (c) the increase in financial expenses, and (d) high effective income tax rates mainly due to non-deductible expense, write-off of expired tax losses and allowance of tax losses carried forward in FY2018. Accordingly, the Group recorded a net profit margin of 2.8% in FY2017 *vis-à-vis* a net loss margin of 1.6% in FY2018.

1Q2018 vs 1Q2019

The revenue of the Group increased by approximately Rp168.6 billion or 5.3% from approximately Rp3,189.7 billion in 1Q2018 to approximately Rp3,358.2 billion in 1Q2019, mainly due to higher sales volume of edible oils and fats products.

The gross profit of the Group decreased by approximately Rp185.4 billion or 28.7% from approximately Rp646.4 billion in 1Q2018 to approximately Rp461.0 billion in 1Q2019, mainly due to lower palm product prices. Accordingly, the gross profit margin decreased from 20.3% in 1Q2018 to 13.7% in 1Q2019.

The Group recorded a profit before tax of approximately Rp131.2 billion in 1Q2018 *vis-à-vis* a loss before tax of approximately Rp80.3 billion in 1Q2019, mainly due to (a) a decrease in gross profit as a result of lower palm product prices despite an increase in revenue, (b) an increase in the loss from the share of results of associate companies mainly due to higher loss from FPNRL (which operates mainly sugar business in the Philippines), (c) an increase in the loss from the share of results of joint ventures mainly due to falling sugar and ethanol prices and forex loss arising from the weakening of the Brazilian real, and (d) an increase in financial expenses mainly due to higher working capital facilities and higher blended interest rate, offset by (a) the recognition of a foreign exchange gain in 1Q2019 *vis-à-vis* a foreign exchange loss in 1Q2018 as a result of the strengthening of the Indonesian Rupiah against the US Dollar, (b) a decrease in operating expenses mainly due to lower loss on changes in fair value of plasma receivables, and (c) the recognition of a fair value gain arising from the changes in fair values of biological assets mainly due to the oil palm seeds and timber plantations valuations in 1Q2019 *vis-à-vis* a fair value loss in 1Q2018.

The Group recorded a net profit attributable to owners of the Company of approximately Rp49.8 billion in 1Q2018 *vis-à-vis* a net loss attributable to owners of the Company of approximately Rp57.8 billion in 1Q2019, mainly due to the decrease in profit from operations and the increase in financial expenses. Accordingly, the Group recorded a net profit margin of 1.6% in 1Q2018 *vis-à-vis* a net loss margin of 1.7% in 1Q2019.

Consolidated cash flow statement

The Group recorded net cash flows generated from operating activities of approximately Rp2,036.9 billion, Rp1,930.6 billion, Rp996.3 billion, Rp234.2 billion and Rp441.0 billion in FY2016, FY2017, FY2018, 1Q2018 and 1Q2019 respectively.

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The Group recorded net cash flows generated from operating activities in FY2018 mainly due to operating cash flows before changes in working capital of approximately Rp2,807.4 billion and interest received of approximately Rp105.3 billion, offset by an increase in inventories of approximately Rp226.9 billion, an increase in trade and other receivables of approximately Rp188.7 billion, interest paid of approximately Rp708.3 billion and income tax paid of approximately Rp742.8 billion.

The Group recorded net cash flows generated from operating activities in 1Q2019 mainly due to operating cash flows before changes in working capital of approximately Rp542.9 billion, a decrease in inventories of approximately Rp214.0 billion and an increase in trade and other payables and accruals of approximately Rp319.1 billion, offset by an increase in trade and other receivables of approximately Rp122.9 billion, an increase in advances to suppliers of approximately Rp179.4 billion, interest paid of approximately Rp208.0 billion and income tax paid of Rp98.2 billion.

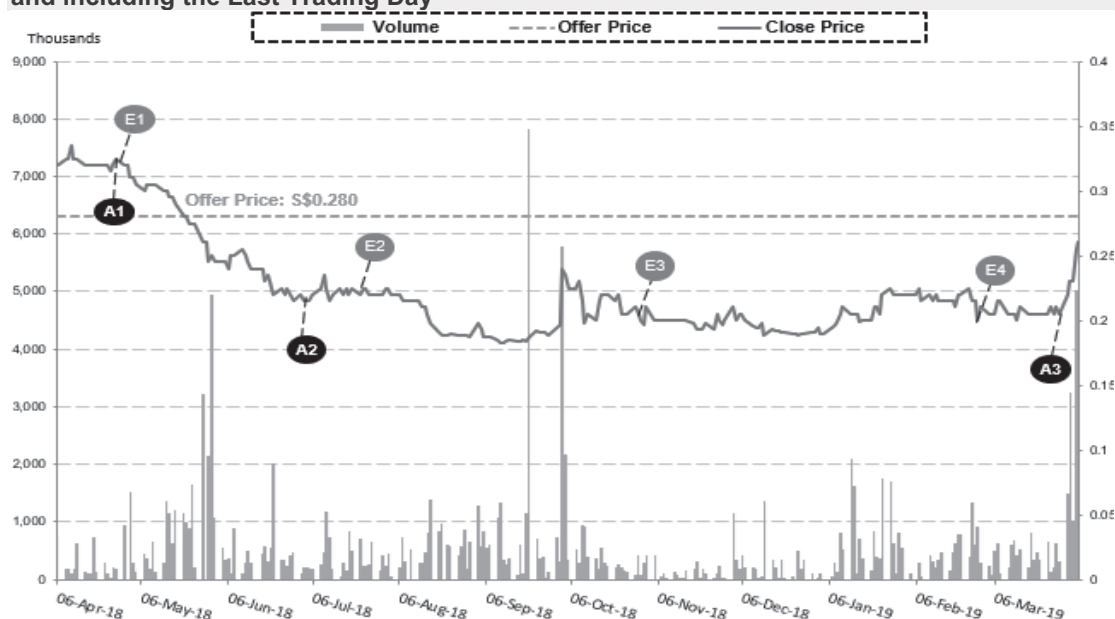
Taking into account (a) the cash and cash equivalents at the beginning of 1Q2019 of approximately Rp2,228.9 billion, (b) the net increase in cash and cash equivalents of approximately Rp54.0 billion, and (c) the effect of changes in exchange rates on cash and cash equivalents of approximately Rp8.4 billion, the Group's cash and cash equivalents as at 31 March 2019 amounted to approximately Rp2,274.5 billion.

9.2. Historical Market Price Performance and Trading Activity of the Shares

We note that the Company had declared a first and final tax-exempt (one-tier) dividend of S\$0.0025 per Share for FY2018, which was approved by the Shareholders at the annual general meeting on 25 April 2019 (the “**FY2018 Dividend**”). The Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distributions (including the FY2018 Dividend), the Distribution Record Date for which falls on or after the Offer Announcement Date. Accordingly, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by S\$0.0025 for each Offer Share, depending on when the Offer Settlement Date falls. For the purposes of this Letter, we have used the Offer Price of S\$0.280 in our analysis as the Distribution Record Date for the FY2018 Dividend (being 9 May 2019) falls after the Latest Practicable Date.

We have compared the Offer Price to the daily closing prices for the one-year period between 6 April 2018 and 5 April 2019 (the “**Last Trading Day**”), being the last market day immediately prior to the Offer Announcement. We have also marked certain dates in the one-year period where significant events occurred.

Daily closing prices and daily trading volumes of the Shares for the one-year period prior to and including the Last Trading Day



Source: Thomson Reuters Eikon and Company announcements on the SGXNet

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Earnings announcements:

- E1. 30 April 2018.** The Company announced its 1Q2018 unaudited financial statements in which the Group's net profit attributable to owners of the Company decreased significantly by approximately Rp120.8 billion or 70.8% from approximately Rp170.6 billion in 1Q2017 to approximately Rp49.8 billion in 1Q2018, mainly due to (a) a decrease in revenue arising from lower average selling prices and sales volume of crude palm oil, palm kernel and rubber from the Plantation division and lower selling prices of edible oils and fats products arising from lower crude palm oil costs from the EOF division, (b) a decrease in gross profit as a result of the decrease in sales and higher palm production costs arising from higher fertilizer and upkeeping costs, (c) the recognition of foreign exchange loss in 1Q2018 *vis-à-vis* a foreign exchange gain in 1Q2017 as a result of the weakening of the Indonesian Rupiah against the US Dollar, and (d) an increase in the loss from the share of results of associate companies arising from Asian Assets Management Pte Ltd (which engages in property operation) and FPNRL (which operates mainly sugar business in the Philippines), offset by (a) a decrease in the losses from the results of a joint venture as a result of an improvement in the ethanol and sugar sales, and (b) a decrease in the loss from the changes in fair values of biological assets, and (c) lower income tax expenses recorded by the Group.
- E2. 26 July 2018:** The Company announced its unaudited financial statements for the 6-month financial period ended 30 June 2018 ("**1H2018**") in which the Group recorded a net profit attributable to owners of the Company of approximately Rp269.8 billion for the 6-month financial period ended 30 June 2017 ("**1H2017**") *vis-à-vis* a net loss attributable to owners of the Company of approximately Rp18.8 billion in 1H2018, mainly due to (a) a decrease in revenue arising from lower average selling prices and sales volume of crude palm oil, palm kernel and rubber from the Plantation division, and lower selling prices of edible oils and fats products arising from lower crude palm oil costs from the EOF division, (b) the recognition of foreign exchange loss in 6M2018 *vis-à-vis* a foreign currency gain in 1H2017 as a result of the weakening of the Indonesian Rupiah against the US Dollar, and (c) a decrease in the share of results of a joint venture mainly due to lower selling prices and volume of raw sugar from the sugar operations under CMAA in Brazil, offset by (a) a decrease in the loss arising from the changes in fair values of biological assets, (b) an increase of the share of results of associate companies, and (c) lower income tax expenses recorded by the Group.
- E3. 31 October 2018.** The Company announced its unaudited financial statements for the 9-month financial period ended 30 September 2018 ("**9M2018**") in which the Group recorded a net profit attributable to owners of the Company of approximately Rp370.4 billion for the 9-month financial period ended 30 September 2017 ("**9M2017**") *vis-à-vis* a net loss attributable to owners of the Company of approximately Rp10.1 billion in 9M2018, mainly due to (a) a decrease in revenue arising from lower average selling prices of agriculture crops (crude palm oil, palm kernel and rubber) and lower sales volume of crude palm oil and palm kernel related products arising from timing in shipment from the Plantation division which was offset by an increase in the revenue from the EOF division as a result of strong sales, (b) a decrease in gross profit due to the effects of lower selling prices and sales volume of palm products as well as higher palm production costs arising from wage inflation and higher fertilizer application, partly offset by higher profit contribution from the EOF division, (c) an increase in foreign exchange loss mainly due to the weakening of the Indonesian Rupiah against the US Dollar, (d) the decrease in share of results of joint ventures due to lower selling prices and sales volume of raw sugar, and (e) an increase in financial expenses mainly due to higher working capital facilities and higher blended interest rate which was in line with the interest rate hikes by the US Fed and the Bank of Indonesia, offset by (a) the recognition of fair value gain arising from the changes in the fair values of biological assets in 9M2018 *vis-à-vis* a fair value loss in 9M2017, and (b) lower income tax expenses recorded by the Group.
- E4. 28 February 2019.** The Company announced its FY2018 unaudited financial statements in which the Group recorded a net profit attributable to owners of the Company of approximately Rp447.3 billion in FY2017 *vis-à-vis* a net loss attributable to owners of the Company of approximately Rp221.8 billion in FY2018, mainly due to (a) a decrease in revenue mainly due to lower average selling prices of agricultural crops despite an increase in the palm production from the Plantation division, which was also offset by the sales growth in the EOF division, (b) a decrease in gross profit due to the effect of lower selling prices of palm products (crude palm oils and palm kernel) which was partially offset by higher profit contribution from the EOF division, (c) an increase in foreign exchange loss mainly due to the weakening of the Indonesian Rupiah against the US Dollar, (d) a decrease in share of results of joint ventures due to the lower prices of raw sugar, (e) the recognition of fair value loss arising from the changes in the fair values of biological assets in FY2018 mainly due to lower selling prices of fresh fruit bunches *vis-à-vis* a fair value gain in FY2017, (f) the recognition of a loss on deemed disposal for investment in a joint venture arising from business combination under common control using book value instead of fair value for the acquisition of UVP, (f) an increase in financial expenses mainly due to higher working capital facilities and higher blended interest rate which was in line with the interest rate hikes by the US Fed and the Bank of Indonesia, and (g) high effective income tax rates mainly due to non-deductible expense, write-off of expired tax losses and allowance of tax losses carried forward in FY2018, offset by (a) a decrease in operating expenses mainly due to the impairment of an available-for-sale investment (Heliae) and the write-off of an unrecoverable advance in FY2017, and (b) a decrease in the loss from the share of results of associate companies mainly due to lower loss from FPNRL (which operates mainly sugar business in the Philippines).

Other significant announcements:

- A1. 27 April 2018:** The Company announced the release of its sustainability report for the year 2017.
- A2. 3 July 2018.** The Company announced that CMAA (50% owned) had entered into an arrangement with JFLIM Participações S/A ("**JFLIM**"), whereby JFLIM will transfer its 100%-owned subsidiary, UVP, to CMAA. In consideration for the transfer of UVP, CMAA will issue new shares to JFLIM based on an agreed valuation of approximately R\$ 75.9 million (equivalent to US\$19.7 million). Post the issuance of new shares, CMAA will be 35% owned by the Company. The acquisition will enable CMAA to expand its footprint in the sugar and ethanol industry in Brazil with a total annual cane crushing capacity increasing from 5.8 million tonnes (CMAA plus Canápolis Holding S.A) to 8.3 million tonnes after the acquisition. All 3 mills are located in the state of Minas Gerais, and in close proximity to each other, forming a strong cluster enabling operating and management synergies.

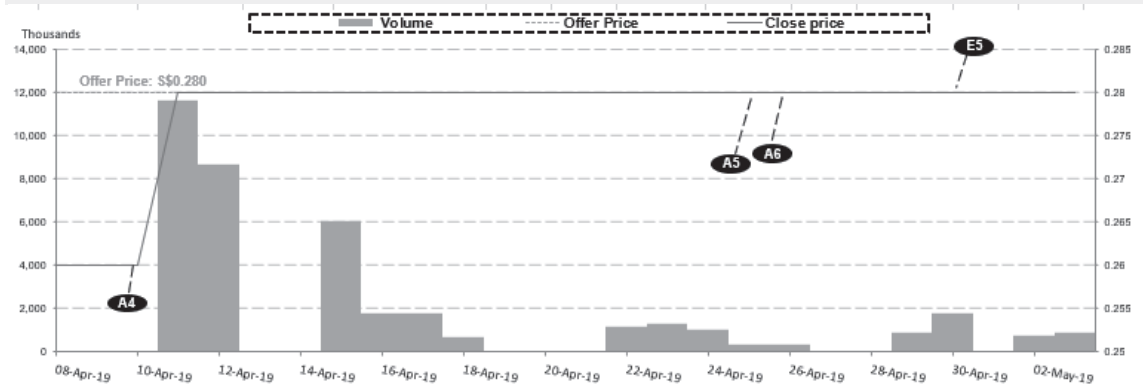
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- A3. 29 March 2019.** The Company announced that the Directors will be proposing a first and final tax-exempt (one-tier) dividend of S\$0.0025 per share for FY2018 to be approved by the Shareholders at the annual general meeting of the Company to be convened in end April 2019.

Based on the above, we note that the closing prices of the Shares had trended downwards for the period between early April 2018 and end-September 2018 (with trading between a high of S\$0.335 (on 11 April 2018) and a low of S\$0.183 (on 11 and 12 September 2018)) before increasing significantly to a high of S\$0.240 on 3 October 2018. Between 4 October 2018 and 3 April 2019, the closing prices of the Shares had generally traded between a high of S\$0.235 and a low of S\$0.189. There was a spike in the closing prices of the Shares to S\$0.255 on 4 April 2019 and S\$0.260 on 5 April 2019. We note that save for the period between 6 April 2018 and 18 May 2018, the closing prices of the Shares had not traded at or above the Offer Price of S\$0.280 for the one-year period prior to and including the Last Trading Day.

The daily closing prices and daily trading volumes of the Shares from the Last Trading Day and up to the Latest Practicable Date are set out below:

Daily closing prices and daily trading volumes of the Shares from the Last Trading Day and up to the Latest Practicable Date



Source: Thomson Reuters Eikon and Company announcements on the SGXNet

Earnings announcements:

- E5. 30 April 2019.** The Company announced its unaudited financial statements for 1Q2019 in which the Group recorded a net profit attributable to owners of the Company of approximately Rp49.8 billion in 1Q2019 *vis-à-vis* a net loss attributable to owners of the Company of approximately Rp57.8 billion in 1Q2018, mainly due to (a) a decrease in gross profit as a result of lower palm product prices despite an increase in revenue, (b) an increase in the loss from the share of results of associate companies mainly due to higher loss from FPNRL (which operates mainly sugar business in the Philippines), (c) an increase in the loss from the share of results of joint ventures mainly due to falling sugar and ethanol prices and forex loss arising from the weakening of the Brazilian real, and (d) an increase in financial expenses mainly due to higher working capital facilities and higher blended interest rate, offset by (a) the recognition of a foreign exchange gain in 1Q2019 *vis-à-vis* a foreign exchange loss in 1Q2018 as a result of the strengthening of the Indonesian Rupiah against the US Dollar, (b) a decrease in operating expenses mainly due to lower loss on changes in fair value of plasma receivables, and (c) the recognition of a fair value gain arising from the changes in fair values of biological assets mainly due to the oil palm seeds and timber plantations valuations in 1Q2019 *vis-à-vis* a fair value loss in 1Q2018.

Significant announcements:

- A4. 10 April 2019:** The Offer Announcement was made.
- A5. 25 April 2019:** The Company announced the release of its sustainability report for the year 2018.
- A6. 26 April 2019:** The Company announced the despatch of the Offer Document and the accompanying FAA and FAT.

Based on the above, we note that subsequent to the Offer Announcement, the closing prices of the Shares had risen to S\$0.280 (which is equivalent to the Offer Price) and had consistently traded at the Offer Price during the period after the Offer Announcement and up to the Latest Practicable Date.

We have also set out below the premia/(discounts) implied by the Offer Price over/(to) the historical volume-weighted average price (“VWAP”) (a) for the one-year period prior to and including the Last Trading Day, and (b) the period after the Offer Announcement and up to the Latest Practicable Date.

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Premium/(discount) implied by the Offer Price over/(to) VWAP ⁽¹⁾						
	VWAP ⁽¹⁾ (S\$)	Premium/ (discount) of Offer Price over/(to) VWAP (%)	Highest closing price (S\$)	Lowest closing price (S\$)	Average daily trading volume ⁽²⁾ ("ADTV") (‘000)	ADTV as a percentage of free float ⁽²⁾⁽³⁾ (%)
Periods prior to and including the Last Trading Day						
One-year	0.2275	23.1	0.335	0.183	586	0.16
6-month	0.2170	29.0	0.260	0.189	483	0.14
3-month	0.2218	26.3	0.260	0.194	709	0.20
One-month	0.2304	21.5	0.260	0.200	945	0.27
Last Trading Day	0.260 ⁽⁴⁾	7.7	0.260 ⁽⁴⁾	0.260 ⁽⁴⁾	3,141	0.88
Period after the Offer Announcement and up to the Latest Practicable Date						
After the Offer Announcement and up to the Latest Practicable Date	0.280	0.0	0.280	0.280	2,585	0.73
Latest Practicable Date	0.280 ⁽⁵⁾	0.0	0.280 ⁽⁵⁾	0.280 ⁽⁵⁾	884	0.25

Source: Thomson Reuters Eikon

Notes:

- (1) The VWAP has been weighted based on the average traded prices and traded volumes of the Shares for the relevant market days for each of the above periods.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the relevant period divided by the number of market days during that period.
- (3) Free float refers to approximately 355.6 million Shares or 25.48% of the issued share capital of the Company held by the public (as defined in the Listing Manual) as at the date of the Offer Announcement and the Latest Practicable Date
- (4) Refers to the closing price of the Shares on the Last Trading Day.
- (5) Refers to the closing price of the Shares on the Latest Practicable Date.

Based on the above, we note the following:

Periods prior to and including the Last Trading Day

- (a) The daily closing prices of the Shares over the one-year period prior to and including the Last Trading Day were between a low of S\$0.183 per Share (on 11 and 12 September 2018) and a high of S\$0.335 per Share (on 11 April 2018), and the Offer Price represents a premium of approximately 23.1%, 29.0%, 26.3% and 21.5% over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively;
- (b) During the one-year period prior to and including the Last Trading Day, the average daily trading volumes of the Shares ranged from approximately 483,000 Shares to 945,000 Shares, representing approximately 0.16%, 0.14%, 0.20% and 0.27% of the Company's free float over each of the one-year, 6-month, 3-month and one-month periods. The Shares were regularly traded during the one-year period prior to and including the Last Trading Day;

Period after the Offer Announcement and up to the Latest Practicable Date

- (c) The daily closing prices of the Shares had traded at S\$0.280 (which is equivalent to the Offer Price) for the period after the Offer Announcement and up to the Latest Practicable Date, and

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the Offer Price is equal to the closing price of the Shares of S\$0.280 on the Latest Practicable Date; and

- (d) Between the Offer Announcement Date and the Latest Practicable Date, the Shares were traded at an average daily trading volume of approximately 2.6 million Shares, representing approximately 0.73% of the Company's free float.

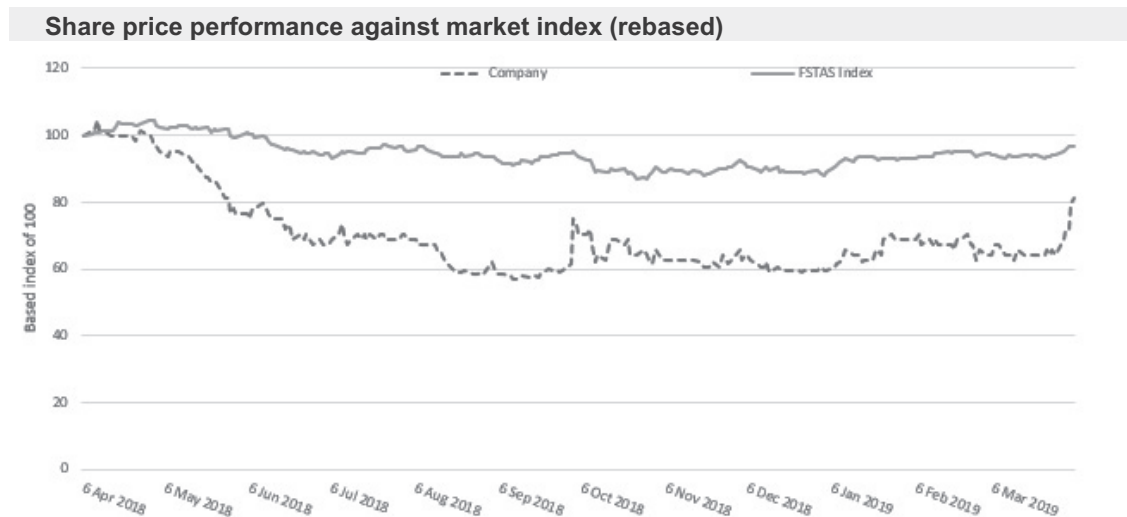
Based on the above observations, it would appear that the market prices of the Shares may be supported by the Offer subsequent to the Offer Announcement. Shareholders should note that there is no assurance that the market prices of the Shares after the close of the Offer may be maintained at the prevailing level as at the Latest Practicable Date, and the past trading performance of the Shares should not in any way be relied upon as an indication or a promise of its future trading performance.

We wish to highlight that the market valuation of shares of a company traded on a securities exchange may be affected by, *inter alia*, the prevailing economic conditions, economic outlook, stock market conditions and sentiment, the corporate activities of the company, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts and the general market sentiment at a given point in time.

9.3. Historical Share Price Performance Relative to Market Index

To gauge the market price performance of the Shares relative to the general share price performance of the Singapore equity market, we have compared the market price movement of the Shares against the FTSE Straits Times All Share Index (the "**FSTAS Index**"), which is a market capitalisation-weighted index comprising all companies within the top 98% by full market capitalisation of the Mainboard of the SGX-ST (i.e. large cap, midcap and small cap indices combined).

The market price performance of the Shares relative to the FSTAS Index for the one-year period prior to and including the Last Trading Day is illustrated below:



Source: Thomson Reuters Eikon

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We have also set out in the table below the movements in the closing prices of the Shares and the FSTAS Index between the Last Trading Day and the Latest Practicable Date:

	As at Last Trading Day	As at Latest Practicable Date	Percentage change (%)
Shares (S\$)	0.260	0.280	7.7
FSTAS Index	805.83	819.90	1.7

Source: Thomson Reuters Eikon

Based on the above, we note the following:

- (a) during the one-year period prior to and including the Last Trading Day, the Shares had generally underperformed the rebased FSTAS Index; and
- (b) between the Last Trading Day and the Latest Practicable Date, the closing prices of the Shares had increased by approximately 7.7% while the FSTAS Index had increased by approximately 1.7%.

Based on the above, it would further appear that the market prices of the Shares may be supported by the Offer subsequent to the Offer Announcement. Shareholders should note that there is no assurance that the market prices of the Shares after the close of the Offer may be maintained at the prevailing level as at the Latest Practicable Date.

9.4. NAV and Net Debt Position of the Group

9.4.1. NAV of the Group

The NAV of a group refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests and all the liabilities of the group. The NAV approach may provide an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of the group with the balance available for distribution to its shareholders. Therefore, the net assets of a group are perceived as providing support for the value of the shareholders' equity.

Notwithstanding the foregoing, Shareholders should note that an analysis based on the NAV of the Group provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised. While the asset base of the Group can be a basis for valuation, such a valuation does not necessarily imply a realisable market value as the market value of the assets and liabilities may vary depending on prevailing market and economic conditions.

A summary of the unaudited financial position of the Group as at 31 March 2019 is set out as follows:

	Unaudited As at 31 March 2019 (Rp million)
Non-current assets	
Biological assets	327,484
Property, plant and equipment	19,409,982
Right of use of assets	1,950,232
Goodwill	3,245,317
Claims for tax refund	275,266
Deferred tax assets	1,170,035
Investment in associate companies	1,816,073

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	Unaudited As at 31 March 2019 (Rp million)
Investment in joint ventures	750,896
Advances and prepayments	540,304
Other non-current receivables	1,468,963
Total non-current assets	30,954,552
Current assets	
Inventories	2,234,249
Trade and other receivables	1,518,406
Advances and prepayments	407,952
Prepaid taxes	342,726
Biological assets	582,616
Assets held for sale	41,795
Cash and cash equivalents	2,274,516
Total current assets	7,402,260
Total assets	38,356,812
Current liabilities	
Trade and other payables and accruals	2,163,766
Advances and other payables	228,211
Interest-bearing loans and borrowings	7,521,373
Income tax payable	58,736
Total current liabilities	9,972,086
Net current liabilities	(2,569,826)
Non-current liabilities	
Interest-bearing loans and borrowings	4,121,751
Amounts due to related parties and other payables	427,859
Provision and other liabilities	32,309
Lease liabilities	117,595
Employee benefits liabilities	2,381,239
Deferred tax liabilities	607,907
Total non-current liabilities	7,688,660
Total liabilities	17,660,746
Net assets	20,696,066
Equity attributable to owners of the Company	
Share capital	3,584,279
Treasury shares	(390,166)
Revenue reserves	8,013,459
Other reserves	497,674
	11,705,246
Non-controlling interests	8,990,820
Total equity	20,696,066

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	Unaudited As at 31 March 2019 (Rp million)
Number of issued Shares as at 31 March 2019	1,395,904,530
NAV per Share (S\$)¹	0.798
Discount of the Offer Price to the NAV per Share (%)	64.9%
Price-to-NAV (“P/NAV”) ratio as implied by the Offer Price (times)	0.351

As at 31 March 2019, the unaudited NAV attributable to equity holders of the Group amounted to approximately Rp11,705.2 billion or Rp8,385 per Share (equivalent to S\$0.798 per Share at an exchange rate of S\$1 : Rp10,507) based on 1,395,904,530 issued Shares. Accordingly, the Offer Price represents a significant discount of approximately 64.9% to the unaudited NAV per Share of the Group as at 31 March 2019, and would value the Group at a P/NAV ratio of 0.351 times.

We have also set out further details on certain assets of the Group below:

Biological assets

Biological assets which are classified under non-current assets accounted for 0.9% of the Group's total assets as at 31 March 2019, and biological assets which are classified under current assets accounted for 1.5% of the Group's total assets as at 31 March 2019. The biological assets comprised primarily timber plantations and unharvested agriculture produce of bearer plants which consist of mainly fresh fruit bunches, oil palm seeds, latex and sugar cane. Based on the FY2018 annual report, the Group has timber plantation concession rights of 72,875 hectares which are valid until 2035 and 2049, and the total area of planted timber plantations as at 31 December 2018 was 16,135 hectares.

The Group conducts independent valuations on the timber plantations to measure their fair value and adopts the income approach internally to measure the fair value of the unharvested agricultural produce of bearer plants on an annual basis for the purposes of its annual statutory audit. The Management is of the view that as at the Latest Practicable Date, the appropriate fair value measurement approach and assumptions have been consistently applied in 1Q2019 and prior years and the biological assets are fairly stated as at 31 March 2019. Accordingly, no adjustments have been made to the NAV of the Group in this regard.

Property, plant and equipment

Property, plant and equipment accounted for 50.6% of the Group's total assets as at 31 March 2019. The property, plant and equipment comprised (a) bearer plants which mainly consist of oil palm, rubber and sugar cane plantations, (b) buildings and improvements, (c) plant and machinery, (d) heavy equipment, transportation equipment and vessels, and (e) furniture, fixtures and office equipment. We understand from the Management that the bearer plants, buildings and improvements, and plant and machinery constituted the main bulk of the property, plant and equipment as at 31 March 2019. Mature plantations are stated at cost and the carrying amount of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be fully recoverable. The asset useful lives and amortisation method of the bearer plants are reviewed at each year-end and adjusted prospectively when necessary. Immature bearer plants which are not commercially productive and available for harvest are not amortised. In addition, we understand from the Management that the buildings and improvements are mainly the factory buildings for the purposes of milling of oil palms and refinery of crude palm oil, offices, housing for workers, warehouses, roads and bridges.

¹ Based on the exchange rate of S\$1 : Rp10,507 as extracted from the unaudited financial statements of the Group for 1Q2019.

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The Company has confirmed that the property, plant and equipment (including the bearer plants and the buildings and improvements) are primarily used in the operations of the Group in its ordinary course of business and that as at the Latest Practicable Date, the Group does not have any current plans for an imminent material disposal and/or conversion of the use of the Group's assets and/or material change in the nature of the Group's business. Accordingly, no adjustments have been made to the NAV of the Group in this regard.

Goodwill

Goodwill, which arises from business combination from acquisitions, accounted for 8.5% of the Group's total assets as at 31 March 2019. Goodwill is tested annually or more frequently if events or changes in circumstances indicate that it might be impaired. The goodwill as recorded by the Group is predominately related to the acquisition of PT Perusahaan Perkebunan London Sumatra Indonesia Tbk ("**Lonsum**") and we understand that the Management had engaged an independent valuer to determine the recoverable value of the goodwill for Lonsum's integrated plantation estates as at 31 October 2018 for the purpose of its statutory audit. The Management is of the view that as at the Latest Practicable Date, there are no indicators of impairment on the goodwill that would require the Group to perform further impairment tests.

Principal subsidiary

The Company owns a shareholding interest of approximately 73.46% in SIMP, which is listed on the Indonesia Stock Exchange. SIMP and its subsidiaries are principally engaged in (a) the research and development, seed breeding, oil palm cultivation and milling, (b) the production and marketing of branded cooking oils, margarine and shortening, and (c) the cultivation and processing of rubber, sugar cane and other crops. SIMP also owns a shareholding interest of approximately 59.51% in Lonsum, which is listed on the Indonesia Stock Exchange and is principally engaged in the oil palm seed breeding, planting, milling and selling of oil palm products, rubber and other crops.

As at the Latest Practicable Date, the market capitalisation of SIMP was approximately Rp6.52 trillion. Accordingly, the market value of the Company's shareholding interest of 73.46% in SIMP would amount to approximately Rp4.79 trillion. In view that (a) the net assets value of SIMP as recorded in the consolidated accounts of the Company is significantly in excess of Rp4.79 trillion, (b) the Offeror has stated in the Offer Document that it has no current intentions to introduce any major changes to the existing business of the Company, and (c) the Company has confirmed that it is not aware of any current plans to dispose of its shareholding interest in SIMP, we have deemed it more prudent not to make any "mark-to-market" downward adjustment to the NAV of the Group. Shareholders should note that the Group has not recorded any net revaluation surplus or deficit (as the case may be) arising from the market value of SIMP as at the Latest Practicable Date, and there is no assurance that any surplus or deficit (as the case may be) will eventually be recorded by the Group. In addition, it may be difficult for the Group to fully realise its sizable shareholding interest in SIMP at its current market price or at any given market price. The NAV of the Group may not necessarily reflect the value of the Group as an on-going concern. As such, the analysis set out above merely serves as an illustration.²

²

As at the Latest Practicable Date, the principal assets of the Group comprise its shareholding interests in SIMP, CMAA, Canapolis and Roxas Holdings Inc. ("**RHI**"). As SIMP is the main operating subsidiary of the Company accounting for substantially all of the Group's revenue and net assets, we have also considered a hypothetical scenario where the Company were to dispose of its shareholding interest of 73.46% in SIMP at its current market price. The theoretical cash proceeds from such disposal would amount to approximately Rp4.79 trillion or S\$457.3 million at an exchange rate of S\$1 : Rp 10,472 as at the Latest Practicable Date, or approximately S\$0.328 per Share. The Offer Price would therefore appear to be at a discount of 14.6% to the theoretical cash proceeds from the hypothetical sale of SIMP. The discount of the Offer Price to the value of the Group (comprising such theoretical cash proceeds as well as its other remaining businesses after the hypothetical disposal of SIMP viz. its joint ventures in CMAA and Canapolis and its effective 18.9% investment in RHI) would be steeper than 14.6%. We are, however, of the view that such a hypothetical scenario is highly unlikely as (a) the Offeror has stated in the Offer Document that it has no current intentions to introduce any major changes to the existing business of the Company, (b) the Company has confirmed that it is not aware of any current plans to dispose of its shareholding interest in SIMP (being its main operating subsidiary), and (c) it may be difficult for the Group to fully realise its sizable shareholding interest in SIMP at its current market price or at any given market price. Accordingly, this scenario has been presented solely for illustrative purposes and we have not placed reliance on it in our analysis.

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As set out in section 10 of the Offer Document, the Offeror has no current intentions to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Company and its subsidiaries, in each case, other than in the ordinary course of business. In addition, the Offeror intends to continue to develop and grow the existing businesses of the Group, and the Offeror and the Company will continue to review, from time to time, the operations of the Group as well as the Company' strategic options. The Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the interests of the Offeror and/or the Company.

In respect of the above, the Directors have confirmed that as at the Latest Practicable Date and to the best of their knowledge and belief:

- (a) there are no material differences between the realisable values of the Group's assets and their respective book values as at the Latest Practicable Date which would have a material impact on the NAV of the Group as at 31 March 2019;
- (b) there are no other contingent liabilities, bad or doubtful debts, impairment losses or material events which would likely have a material impact on the NAV of the Group as at 31 March 2019;
- (c) there are no litigation, claim or proceedings pending or threatened against the Company or the Group or likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company and/or the Group as at 31 March 2019;
- (d) there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the SFRS(I) and which have not been so disclosed, where such intangible assets would have had a material impact on the overall financial position of the Group as at 31 March 2019;
- (e) there are no material acquisitions or disposals of assets by the Group between 31 March 2019 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business; and
- (f) they are not aware of any circumstances which may cause the NAV of the Group as at the Latest Practicable Date to be materially different from that recorded in the unaudited balance sheet of the Group as at 31 March 2019.

9.4.2. Net debt position of the Group

As at 31 March 2019, the Group's cash and cash equivalents amounted to Rp2,274.5 billion. Taking into account the borrowings and lease liabilities which amounted to Rp11,760.7 billion, the Group would record a net debt position of Rp9,486.2 billion (or equivalent to S\$902.8 million at an exchange rate of S\$1 : Rp10,507). Accordingly, we have not compared the Offer Price *vis-à-vis* the NAV of the Group on an ex-cash basis.

9.5. Historical Trailing P/NAV Multiples of the Shares

We have compared the P/NAV multiple of the Shares as implied by the Offer Price *vis-à-vis* the historical trailing P/NAV multiples of the Shares (based on the daily closing prices of the Shares and the Group's trailing announced NAV per Share) for the period commencing one year prior to the Last Trading Day and ending on the Latest Practicable Date, as set out below:

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Historical trailing P/NAV multiples of the Shares for the period commencing one year prior to the Last Trading Day and ending on the Latest Practicable Date



	Average	Maximum	Minimum
Period prior to and including the Last Trading Day			
One-year	0.276	0.392	0.226
6-month	0.262	0.326	0.241
3-month	0.269	0.326	0.248
One-month	0.268	0.326	0.251
Period after the Offer Announcement and up to the Latest Practicable Date			
Period after the Offer Announcement and up to the Latest Practicable Date	0.351	0.352	0.351

Source: Thomson Reuters Eikon

Based on the above, we note that:

- (a) for each of the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day, the P/NAV multiple of 0.351 times as implied by the Offer Price is above the corresponding average historical trailing P/NAV multiples of the Shares of 0.276 times, 0.262 times, 0.269 times and 0.268 times respectively; and
- (b) for the period after the Offer Announcement and up to the Latest Practicable Date, the P/NAV multiple of 0.351 times as implied by the Offer Price is equivalent to the average historical trailing P/NAV multiple of the Shares of 0.351 times.

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9.6. Valuation Ratios of Selected Companies Listed on the SGX-ST Which Principal Business Activities are Broadly Comparable to Those of the Group

For the purpose of our evaluation of the financial terms of the Offer, we have made reference to the valuation ratios of selected companies listed on the SGX-ST with market capitalisations of up to S\$4.0 billion and which are primarily engaged in oil palm cultivation and the production of oil palm-related products (the “**Comparable Companies**”), which we consider to be broadly comparable to the principal business of the Group to obtain an indication of the current market expectations with regard to the perceived valuation of the Group.

We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no company listed on the SGX-ST which is identical to the Group in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different profitability objectives. Shareholders should note that any comparison made with respect to the Comparable Companies merely serves to provide an illustrative perceived market valuation of the Group as at the Latest Practicable Date.

A brief description of the Comparable Companies is as follows:

Company	Business description	Financial year-end
Bumitama Agri Ltd. (“ Bumitama ”)	Bumitama and its subsidiaries are principally engaged in the cultivation of oil palm trees, as well as the harvesting and processing of fresh palm fruit bunches into crude palm oil and palm kernel, which are then sold to refineries in Indonesia. As stated in its annual report for the financial year ended 31 December 2018, Bumitama manages a total land bank of approximately 234,000 hectares located in the Indonesian provinces of Central Kalimantan, West Kalimantan and Riau, and has 185,165 hectares of total planted area as at 1 January 2019 with a relatively young matured oil palm trees profile.	31 December
First Resources Limited (“ First Resources ”)	First Resources and its subsidiaries are involved in cultivating oil palms, harvesting the fresh fruit bunches, and milling them into crude palm oil and palm kernel. In addition to plantations and palm oil mills, First Resources and its subsidiaries also process the crude palm oil and palm kernel into higher value palm based products such as biodiesel, refined, bleached and deodorised (“ RBD ”) olein, RBD stearin, palm kernel oil and palm kernel expeller through the refinery, fractionation, biodiesel and kernel crushing plants. As stated in its annual report for the financial year ended 31 December 2018, First Resources has 210,885 hectares of oil palm plantations and 6,321 hectares of rubber plantations.	31 December
Global Palm Resources Holdings Limited (“ Global Palm ”)	Global Palm is involved in the cultivation, harvesting and processing of oil palm fruit into crude palm oil and palm kernel for sale. Global Palm’s plantation and mill is located in West Kalimantan. Based on its annual report for the	31 December

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Company	Business description	Financial year-end
Golden Agri-Resources Ltd (“GAR”)	<p>financial year ended 31 December 2018, it has a land bank of 16,079 hectare of which about 82.7% is under cultivation. As at 31 December 2018, approximately 83.1% of the group’s oil palms are in mature production stage.</p> <p>GAR is a palm oil plantation company, and GAR and its subsidiaries’ primary activities include cultivating and harvesting oil palm trees, processing fresh fruit bunches into crude palm oil and palm kernel, refining crude palm oil into industrial and consumer products such as cooking oil, margarine, shortening, biodiesel and oleochemicals, as well as merchandising palm products throughout the world. Based on its annual report for the financial year ended 31 December 2018, GAR is focused on sustainable palm oil production and cultivates 498,395 hectares of oil palm plantations in Indonesia, including plasma smallholders.</p>	31 December
Kencana Agri Limited (“Kencana”)	<p>Kencana Agri Limited is a plantation company engaged mainly in the cultivation of oil palms, processing of fresh fruit bunches into crude palm oil, crude palm kernel oil and palm kernel cake and palm kernel, and provision of bulking services. Based on its annual report for the financial year ended 31 December 2018, Kencana’s oil palm plantations are located mainly in Sumatra, Kalimantan and Sulawesi regions of Indonesia. Since its inception in 1996, the group’s planted area has grown to about 67,612 hectares in 2018 including plasma.</p>	31 December

Source: Thomson Reuters Eikon and annual reports of the Comparable Companies

Salient information on the operating performance of the Comparable Companies *vis-à-vis* the Group in FY2018 is set out below:

Company	Gross profit margin (%)	Profit before tax margin (%)	Net debt ⁽¹⁾ (\$ million)	Net gearing (times)	Return on equity (%)	Return on assets (%)	FFB ⁽²⁾ yield (tonnes/hectare)	CPO ⁽³⁾ yield (tonnes/hectare)
Bumitama	28.5	20.3	(467.0)	0.55	14.1	6.6	20.5	6.4
First Resources	44.0	28.6	(383.1)	0.29	12.9	7.6	18.0	4.3
Global Palm	9.1	n.a. ⁽⁴⁾	27.4	net cash	n.a. ⁽⁴⁾	n.a. ⁽⁴⁾	18.7	4.3
GAR	14.0	1.2	(3,839.2)	0.65	n.a. ⁽⁴⁾	n.a. ⁽⁴⁾	22.5	5.2
Kencana	19.5	n.a. ⁽⁴⁾	(346.4)	11.48	n.a. ⁽⁴⁾	n.a. ⁽⁴⁾	16.6	3.3
Group	15.6	n.a.⁽⁴⁾/0.3⁽⁵⁾	(849.8)	0.43	n.a.⁽⁴⁾	n.a.⁽⁴⁾	15.2	3.2

Source: Annual reports of the Comparable Companies and NCF calculations

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Notes:

- (1) Based on an exchange rate of S\$1 : Rp10,545 and US\$1 : S\$1.3627 (as the case may be) as at 31 December 2018. Global Palm is in a net cash position.
- (2) FFB refers to fresh fruit bunches. The computations of FFB yield are based on the mature hectares of the nucleus and plasma plantations.
- (3) CPO refers to crude palm oil. The computations of CPO yield are based on the mature hectares of the nucleus and plasma plantations.
- (4) Denotes “not applicable” as the relevant companies had recorded pre-tax losses and/or after-tax losses (as the case may be).
- (5) Adjusted for the one-off item in relation to the loss on deemed disposal on investment in CMAA in FY2018.

Based on the above, we note that:

- (a) the Group’s gross profit margin of 15.6% is generally at the lower end of the range of gross profit margins of the Comparable Companies of between 9.1% and 44.0%;
- (b) at the profit before tax (“PBT”) level, 2 of the Comparable Companies had recorded pre-tax losses. Adjusted for the one-off item in relation to the loss on deemed disposal on investment in CMAA in FY2018, the Group’s PBT margin of 0.3% is below the range of PBT margins of the other 3 Comparable Companies of between 1.2% and 28.6%;
- (c) the Group’s net debt level of S\$849.8 million is higher than those of most of the Comparable Companies, which net debt levels ranged between approximately S\$346.4 million and approximately S\$3,839.2 million (excluding Global Palm which is in a net cash position);
- (d) the Group’s net gearing ratio of 0.43 times is generally at the lower end of the range of net gearing ratios of the Comparable Companies of between 0.29 times and 11.48 times (excluding Global Palm which is in a net cash position);
- (e) 2 of the Comparable Companies recorded a return on equity of 12.9% and 14.1% and a return on assets of 6.6% and 7.6%, while the Group and the other 3 Comparable Companies recorded after-tax losses;
- (f) the Group’s FFB yield of 15.2 tonnes/hectare is below the range of FFB yields of the Comparable Companies of between 16.6 tonnes/hectare and 22.5 tonnes/hectare; and
- (g) the Group’s CPO yield of 3.2 tonnes/hectare is below the range of CPO yields of the Comparable Companies of between 3.3 tonnes/hectare and 6.4 tonnes/hectare.

In our evaluation, we have adopted the following valuation measures:

Valuation ratio	Description
Price-earnings (“P/E”) ratio	<p>The P/E ratio or earnings multiple is the ratio of a company’s market capitalisation divided by the historical consolidated full-year net profit attributable to shareholders.</p> <p>The P/E ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses.</p> <p>The P/E ratio illustrates the ratio of the market capitalisation of a company in relation to the historical net profit attributable to its shareholders. As such, it is affected by a company’s capital structure, tax position and accounting policies relating to depreciation and intangible assets.</p> <p>We have considered the P/E ratios of the Comparable Companies based on their respective closing prices on the Latest Practicable Date and their latest</p>

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Valuation ratio	Description
	full-year net earnings per share.
Enterprise value-to-earnings before interest, taxes, depreciation and amortisation (“EV/EBITDA”)	<p>EV refers to enterprise value, which is the sum of a company’s market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents.</p> <p>EBITDA refers to the historical consolidated full-year earnings before interest, taxes, depreciation and amortisation.</p> <p>The EV/EBITDA ratio illustrates the ratio of the market value of a company’s business in relation to its historical pre-tax operating cash flow performance. The EV/EBITDA ratio is an earnings-based valuation methodology. The difference between the EV/EBITDA ratio and the P/E ratio (described above) is that the former does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.</p> <p>We have considered the EV/EBITDA ratios of the Comparable Companies based on their respective closing prices on the Latest Practicable Date, latest-available balance sheet values and latest full-year EBITDA.</p>
Enterprise value-to-planted hectares (“EV/Hectare”)	<p>EV refers to enterprise value, which is the sum of a company’s market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents.</p> <p>The EV/Hectare illustrates the market value of a company’s business in relation to the planted hectares of its nucleus oil palm plantations. The information on planted hectares are obtained from the latest annual reports of the Comparable Companies.</p> <p>We have considered the EV/Hectare of the Comparable Companies based on their respective closing prices on the Latest Practicable Date, latest-available balance sheet values and area of planted hectares.</p>
Price-to-net asset value (“P/NAV”) ratio	<p>P/NAV refers to the ratio of a company’s share price divided by NAV per share. The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company.</p> <p>The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.</p> <p>We have considered the P/NAV ratios of the Comparable Companies based on their respective closing prices on the Latest Practicable Date and their latest-available NAV per share.</p>

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The valuation ratios of the Comparable Companies based on their respective last transacted share prices as at the Latest Practicable Date are set out below:

Company	Market capitalisation (S\$ million)	P/E (times)	EV/EBITDA (times)	EV/Hectare (S\$)	P/NAV (times)
Bumitama	1,259.7	12.20	8.48	13,918	1.71
First Resources	2,883.0	17.81	9.50	18,872	2.27
Global Palm	43.1	n.a. ⁽¹⁾	31.29	1,943	0.72
GAR	3,756.8	n.a. ⁽¹⁾	11.78	19,862	0.66
Kencana	25.8	n.a. ⁽¹⁾	71.07	6,987	0.86
Maximum		17.81	71.07	19,862	2.27
Minimum		12.20	8.48	1,943	0.66
Mean		15.00	15.26⁽²⁾	12,316	1.24
Median		15.00	10.64⁽²⁾	13,918	0.86
Company (as implied by the Offer Price)	390.9	n.a.	11.11	8,560	0.35

Source: Thomson Reuters Eikon, annual reports and announcements on SGXNET of the Comparable Companies and NCF calculations

Notes:

- (1) Denotes "not applicable" as the respective companies had recorded net losses attributable to owners of the company.
- (2) Excludes Kencana as a statistical outlier in the mean and median computations of the EV/EBITDA ratio.

Based on the above, we note that:

- (a) the Company had recorded a net loss attributable to owners of the Company in FY2018, hence the P/E ratio of the Company (as implied by the Offer Price) is not applicable. Solely for illustrative purposes, the P/E ratios of the Comparable Companies ranged between 12.20 times and 17.81 times, with the mean and median P/E ratios at 15.00 times and 15.00 times respectively;
- (b) the EV/EBITDA ratio of the Company of 11.11 times (as implied by the Offer Price) is (i) within the range of EV/EBITDA ratios of the Comparable Companies of between 8.48 times and 71.07 times, (ii) below the mean EV/EBITDA ratio of the Comparable Companies of 15.26 times, and (iii) above the median EV/EBITDA ratio of the Comparable Companies of 10.64 times;
- (c) the EV/Hectare of the Company of S\$8,560 (as implied by the Offer Price) is (i) within the range of EV/Hectare of the Comparable Companies of between S\$1,943 and S\$19,862, and (ii) significantly below the mean and median EV/Hectare of the Comparable Companies of S\$12,316 and S\$13,918 respectively; and
- (d) the P/NAV ratio of the Company of 0.35 times (as implied by the Offer Price) is (i) below the range of P/NAV ratios of the Comparable Companies of between 0.66 times and 2.27 times, and (ii) significantly below the mean and median P/NAV ratios of the Comparable Companies of 1.24 times and 0.86 times respectively.

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9.7. Selected Precedent Privatisation and Delisting Transactions Involving Companies Listed on the SGX-ST

We note that it is the intention of the Offeror, and the purpose of the Offer, to privatise and delist the Company from the Official List of the SGX-ST. Accordingly, the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the Shares (excluding treasury shares) are held in public hands. For the purpose of our evaluation of the financial terms of the Offer, we have compared the valuation statistics implied by the Offer Price *vis-à-vis* those in respect of recent successful privatisations (either by way of a general offer under the Code or a scheme of arrangement under Section 210 of the Companies Act where the offeror stated its intention to delist the target company from the SGX-ST) and successful delisting offers under Rule 1307 of the Listing Manual (collectively, the “**Precedent Privatisations**”) as announced during the 24-month period prior to and including the Last Trading Day, and completed as at the Latest Practicable Date:

Company	Announcement date	Offer price (\$)	Premium/(discount) of offer price over/(to) ⁽¹⁾				Offer price to NTA/NAV (times)
			Last transacted price (%)	One-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	
Courts Asia Limited	18 January 2019	0.205	34.9	35.8	34.0	23.5	0.56 ⁽²⁾
Declout Limited ⁽³⁾	7 January 2019	0.130	62.5	66.7	66.7	58.5	1.28 ⁽²⁾
PCI Limited ⁽⁴⁾	4 January 2019	1.330	27.9	44.0	47.2	50.9	1.97 ⁽⁵⁾
Cityneon Holdings Limited	29 October 2018	1.300	3.2	6.9	11.9	15.7	4.50 ⁽⁵⁾
M1 Limited	27 September 2018	2.060	26.4	29.9	29.1	21.8	3.85 ⁽⁵⁾
Keppel Telecommunications & Transportation Ltd	27 September 2018	1.910	40.4	39.5	34.9	28.1	1.53 ⁽⁶⁾
Wheelock Properties (Singapore) Limited	19 July 2018	2.100	20.7	29.0	22.7	17.8	0.84 ⁽⁷⁾
Weiye Holdings Limited	13 March 2018	0.650	31.3	40.7	44.1	44.4	0.30 ⁽⁷⁾
Lee Metal Group Ltd ⁽⁸⁾	21 February 2018	0.420	9.1	14.1	21.4	26.5	0.98 ⁽⁷⁾
LTC Corporation Limited ⁽⁹⁾	9 February 2018	0.925	44.5	46.1	45.4	44.1	0.53 ⁽⁷⁾
Tat Hong Holdings Limited ⁽¹⁰⁾	11 January 2018	0.550	42.9	47.5	49.1	40.3	0.72 ⁽⁵⁾
CWG International Ltd	28 December 2017	0.195	27.5	29.5	29.2	30.8	0.44 ⁽¹¹⁾
Vard Holdings Limited ⁽¹²⁾	13 November 2017	0.250	8.7	16.2	29.3	35.1	0.81 ⁽⁷⁾

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Company	Announcement date	Premium/(discount) of offer price over/(to) ⁽¹⁾					Offer price to NTA/NAV (times)	
		Offer price (S\$)	Last transacted price (%)	One-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)		
Cogent Holdings Limited ⁽¹³⁾	3 November 2017	1.020	164.9	160.2	167.9	177.6	1.19 ⁽⁷⁾	
Rotary Engineering Limited	2 October 2017	0.460	21.1	21.9	25.1	19.3	1.25 ⁽⁷⁾	
Poh Tiong Choon Logistics Limited ⁽¹⁴⁾	20 September 2017	1.300	1.6	30.0	41.3	47.7	1.17 ⁽⁷⁾	
GP Batteries International Limited ⁽¹⁵⁾	11 August 2017	1.300	62.5	62.9	62.7	61.1	0.78 ⁽⁷⁾	
Fischer Tech Ltd ⁽¹⁶⁾	27 July 2017	3.020	31.1	46.9	63.6	76.5	1.54 ⁽⁷⁾	
Global Logistics Properties Limited ⁽¹⁷⁾	14 July 2017	3.380	64.1	67.4	72.4	76.5	1.1 ⁽⁷⁾	
China Flexible Packaging Holdings Limited	19 June 2017	1.250	23.2	24.3	28.2	43.5	0.59 ⁽⁷⁾	
Changtian Plastic & Chemical Limited	29 May 2017	1.300	45.3	46.6	48.2	49.6	0.42 ⁽⁷⁾	
Nobel Design Holdings Ltd	2 May 2017	0.510	8.5	9.4	15.9	19.4	0.67 ⁽⁷⁾	
CWT Limited ⁽¹⁸⁾	9 April 2017	2.330	5.9	6.4	14.8	27.3	1.03 ⁽⁷⁾	
			Maximum	164.9	160.2	167.9	177.6	4.50
			Minimum	1.6	6.4	11.9	15.7	0.30
			Mean⁽¹⁹⁾⁽²⁰⁾	29.3	34.6	38.1	39.0	0.94
			Median⁽¹⁹⁾⁽²⁰⁾	27.7	32.9	34.5	37.7	0.84
Company (as implied by the Offer Price)				7.7	21.5	26.3	29.0	0.35

Source: Thomson Reuters Eikon, announcements on the SGXNET and the respective target companies' shareholders' circulars in relation to the Precedent Privatisations

Notes:

- (1) Market premia/(discounts) calculated relative to the last transacted prices of the respective target companies prior to the respective offer announcements and VWAPs of the one-month, 3-month and 6-month periods prior to the respective announcements.
- (2) Based on the pro forma NAV/NTA per share (as the case may be), as published in the respective circulars of the target companies.
- (3) Declout Limited ("Declout") had a significant stake in Procurri Corporation Limited ("Procurri") and had treated and consolidated the results of the Procurri as its subsidiary. On 7 September 2018, Procurri announced that it had

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received an unsolicited, non-binding indication of interest from a third party to acquire the shares in Procurri by way of a possible voluntary general offer subject to, amongst others, due diligence. On 6 January 2019, Declout announced that it had been notified by its chairman and group chief executive officer of a potential general offer for the shares in Declout by an independent third party. On 7 January 2019, the voluntary conditional cash offer for all the issued shares in Declout was made. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 6 September 2018, being the last undisturbed trading date.

- (4) On 18 September 2018, PCI Limited (“**PCI**”) announced that its controlling shareholder, Chuan Hup Holdings Limited, had been approached by a third party in connection with a potential transaction in relation to the securities of PCI and that discussions were on-going. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 17 September 2017, being the last undisturbed trading date.
- (5) Based on the NTA/NAV per share (as the case may be), as published in the respective circulars of the target companies.
- (6) The independent financial adviser to Keppel Telecommunications & Transportation Ltd had arrived at an aggregate valuation of the company on a sum-of-the-parts basis, which ranged from S\$1.25 per share to S\$1.33 per share. We have used S\$1.25 as the implied value for the computation of the price-to NTA/NAV ratio in the table above.
- (7) Based on the revalued NAV/NTA per share (as the case may be), as published in the respective circulars of the target companies.
- (8) On 11 November 2017, Lee Metal Group Ltd (“**Lee Metal**”) announced that it had been notified by certain shareholders that they had received an unsolicited approach in connection with a potential transaction which may or may not lead to an acquisition of the issued share capital of Lee Metal, and had, pursuant to such approach, entered into a binding memorandum of understanding with an unrelated third party. On 21 February 2018, the voluntary conditional cash offer for all the issued shares in the capital of Lee Metal was announced. On 26 April 2018, it was announced that the pre-conditions were satisfied and the formal voluntary conditional cash offer for the issued shares in Lee Metal was made. The market premia in the table above were computed based on the share prices for the one-year period up to and including 10 November 2017, being the last undisturbed trading date.
- (9) On 9 February 2018, Mountbatten Enterprises Pte. Ltd. announced its intention to undertake a voluntary conditional cash offer for the shares in LTC Corporation Limited (“**LTC**”). The voluntary conditional cash offer closed on 25 June 2018. On 7 September 2018, LTC and Mountbatten Resources Pte. Ltd., being the offeror jointly announced the voluntary delisting of LTC from the SGX-ST. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 8 February 2018, being the last trading day before the announcement of the voluntary conditional cash offer.
- (10) On 21 September 2017, Tat Hong Holdings Ltd (“**Tat Hong**”) announced that it had been approached by certain parties in connection with a potential transaction in relation to the shares of the Company and the discussions were then ongoing. On 10 November 2017, Tat Hong announced that it had received a non-binding letter from Standard Chartered Private Equity (Singapore) Pte. Ltd. confirming the proposal to acquire the shares of Tat Hong at an offer price of S\$0.500 per share, subject to certain conditions. On 10 January 2018 and 9 March 2018, the pre-conditional voluntary conditional cash offer and the formal voluntary conditional cash offer for the issued shares in Tat Hong were announced respectively. On 26 April 2018, Tat Hong announced the revision of the offer price from S\$0.500 to S\$0.550. The market premia in the table above were computed based on the revised offer price of S\$0.550 per share and the share prices for the period(s) up to and including 20 September 2017, being the last undisturbed trading date.
- (11) The revalued NAV per share ranging from S\$0.445 to S\$0.470 was based on the unaudited consolidated NAV per share (estimated to range from S\$0.238 to S\$0.263) and the net revaluation surplus arising from the revalued properties. Accordingly, the discount to RNAV per share as implied by the offer price is 0.42 times to 0.44 times. The computation in the table above was based on the estimated RNAV per share of S\$0.445.
- (12) On 13 November 2016, the voluntary conditional cash offer for the issued shares in Vard Holdings Limited (“**Vard**”) at the offer price of S\$0.240 per share was announced. The voluntary conditional cash offer closed on 24 March 2017. On 13 November 2017, Vard and Fincantieri Oil & Gas S.p.A jointly announced the voluntary delisting of Vard from the SGX-ST at S\$0.250 for each share in cash. The market premia in the table above were computed based on the offer price of S\$0.250 per share and the share prices for the periods(s) up to and including 11 November 2016, being the last trading date prior to the announcement of the voluntary conditional cash offer.
- (13) On 29 January 2016, Cogent Holdings Limited (“**Cogent**”) released a holding announcement which referred to an article published in the Wall Street Journal on 28 January 2016 in relation to “Cogent Holdings’s Owners Seek Buyer for Logistics Firm” (the “**WSJ Article**”). It was stated in the announcement that Cogent had, from time to time, received indications of interest relating to the group and its businesses, and that the directors of Cogent were then reviewing the business and operations of the group with a view to evaluating the viability of such indications of interest. On 3 November 2017, the voluntary conditional cash offer for the issued shares in Cogent was announced. The market premia in the table above were computed based on the share prices for the period(s) prior to the WSJ Article.
- (14) On 23 September 2016, Poh Tiong Choon Logistics Limited (“**PTC**”) announced that certain substantial shareholders had informed the directors of PTC that they were seeking a strategic review relating to their shares in PTC. On 20 September 2017, the voluntary conditional cash offer for the issued shares in PTC was announced. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 19 September 2016, being the last undisturbed trading date.

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- (15) On 11 August 2017, the pre-conditional voluntary conditional cash offer for the issued shares in GP Batteries International Limited was announced. On 22 September 2017, the formal voluntary cash offer announcement was made. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 8 August 2017, being the last trading date prior to the pre-conditional voluntary announcement.
- (16) On 5 April 2017, the Fischer Tech Ltd (“**Fischer**”) announced that it had received a non-binding expression of interest from a third party relating to a possible transaction involving its shares and that certain shareholders had agreed to enter into exclusive discussions with the third party. On 27 July 2017, Fischer and FT Holding II Limited jointly announced the acquisition of the issued shares in Fischer to be effected by way of a scheme of arrangement under Section 210 of the Companies Act. The market premia in the table above were computed based on the share prices for the period(s) prior to 5 April 2017.
- (17) On 1 December 2016, Global Logistic Properties Limited (“**GLP**”) announced that it was undertaking an independent strategic review of options available for its business in line with its commitment to enhance shareholder value, following a request received from its largest shareholder, GIC Real Estate Private Limited. On 14 July 2017, the acquisition of all the issued shares in GLP by way of a scheme of arrangement was announced. The market premia in the table above was computed based on the share prices prior to and including 30 November 2016, being the last undisturbed trading date. The independent financial adviser had also arrived at an aggregate valuation of the company on a sum-of-the-parts basis, which ranged between S\$2.85 and S\$3.03 per share.
- (18) On 3 August 2015, CWT Limited announced that its controlling shareholder, C&P Holdings Pte Ltd (“**C&P**”), was considering a strategic review of the business and assets of C&P. On 9 April 2017, the pre-conditional offer for the issued shares in CWT was announced. On 7 September 2017, the formal offer announcement was made. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 3 August 2015.
- (19) Excludes Cogent Holdings Limited as a statistical outlier in the mean and median computations of (a) the premium/(discount) of the offer price over/(to) the last transacted price prior to the offer announcements, and (b) the one-month, 3-month and 6-month VWAPs prior to the offer announcements.
- (20) Excludes Cityneon Holdings Limited and M1 Limited as statistical outliers in the mean and median computations of the offer price to NTA/NAV ratios.

Based on the above, we note that:

- (a) the premium of approximately 7.7% (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is (i) within the range of premia of the Precedent Privatisations of between 1.6% and 164.9%, and (ii) significantly below the corresponding mean and median premia of the Precedent Privatisations of 29.3% and 27.7% respectively;
- (b) the premium of approximately 21.5% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (i) within the range of premia of the Precedent Privatisations of between 6.4% and 160.2%, and (ii) below the corresponding mean and median premia of the Precedent Privatisations of 34.6% and 32.9% respectively;
- (c) the premium of approximately 26.3% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (i) within the range of premia of the Precedent Privatisations of between 11.9% and 167.9%, and (ii) below the corresponding mean and median premia of the Precedent Privatisations of 38.1% and 34.5% respectively;
- (d) the premium of approximately 29.0% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is (i) within the range of premia of the Precedent Privatisations of between 15.7% and 177.6%, and (ii) below the corresponding mean and median premia of the Precedent Privatisations of 39.0% and 37.7% respectively; and
- (e) the P/NAV ratio of the Company of 0.35 times (as implied by the Offer Price) is (i) within the range of P/NAV ratios of the Precedent Privatisations of between 0.30 times and 4.50 times, and (ii) significantly below the corresponding mean and median P/NAV ratios of the Precedent Privatisations of 0.94 times and 0.84 times respectively.

Shareholders should note that the level of premium (if any) an acquirer would normally pay for acquiring and/or privatising a listed company (as the case may be) varies in different circumstances depending on, *inter alia*, the attractiveness of the underlying business to be acquired, the synergies to be gained by the acquirer from integrating the target company’s businesses with its existing business, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the trading liquidity of the target company’s shares, the presence of competing bids for

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the target company, the extent of control the acquirer already has in the target company and prevailing market expectations. Consequently, each of the Precedent Privatisations has to be judged on its own merits (or otherwise).

The list of Precedent Privatisations indicated herein has been compiled based on publicly available information as at the Latest Practicable Date. The above table captures only the premia/discounts implied by the offer prices in respect of the Precedent Privatisations over the aforesaid periods and does not highlight bases other than the aforesaid in determining an appropriate premium/discount for the recent Precedent Privatisations. It should be noted that the comparison is made without taking into account the total amount of the offer value of each respective Precedent Privatisation or the relative efficiency of information or the underlying liquidity of the shares of the relevant companies or the performance of the shares of the companies or the quality of earnings prior to the relevant announcements and the market conditions or sentiments when the announcements were made or the desire or the relative need for control leading to compulsory acquisition. In addition, as some of the companies had undertaken revaluations and/or adjustments to their assets which may have a material impact on their last announced book values, we have also, where relevant, compared the offer price of such Precedent Privatisations with the revalued NAV (or revalued NTA where applicable) and/or adjusted NAV (or adjusted NTA where applicable) of the relevant companies, where available.

We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Precedent Privatisations and would therefore not be directly comparable to the list of companies in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Accordingly, it should be noted that the above comparison merely serves as a general guide to provide an indication of the premium or discount in connection with the Precedent Privatisations. Therefore, any comparison of the Offer with the Precedent Privatisations is for illustration purposes only and conclusions drawn from the comparisons made may not necessarily reflect any perceived market valuation for the Company.

9.8. Analysts' Target Prices for the Shares

We have reviewed recent analyst research reports in relation to the Company and set out their respective recommendations and target prices for the Shares below:

Analyst	Date of report	Recommendation	Target price (S\$)
DBS Group Research	1 March 2019	Hold	S\$0.19
Macquarie Research	27 February 2019	Outperform	S\$0.26

Source: Thomson Reuters Eikon

We note that the Offer Price exceeds the analysts' target prices for the Shares ranging between S\$0.19 and S\$0.26.

Between the Offer Announcement Date and the Latest Practicable Date, DBS Group Research issued a flash note dated 11 April 2019 (the "**Update Note**") recommending Shareholders to accept the Offer. A relevant extract from the Update Note is set out below:

"Recommend to accept the offer. We recommend to accept the offer, though the offer is at the lower end of acquisition multiples for plantations, for abovementioned reasons. Our last recommendation on IFAR was HOLD (TP \$0.19/share) as we remain cautious on IFAR's earnings momentum and its ability to return to pre-2017 earnings levels, although share price performance and valuations were undemanding."

We wish to highlight that as research coverage of the Company is limited, the above analysts' target prices may not be representative of market consensus. In addition, the estimated target prices for the Shares and other statements or opinions in the above research reports represent the individual views of the analysts (and not NCF) based on the circumstances prevailing at

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the date of the publication of the research reports, including but not limited to market, economic and industry conditions as well as market sentiment and investor perceptions regarding the future prospects of the Group. The opinions of the analysts may change over time as a result of, *inter alia*, changes in market conditions, the Group's corporate developments and the emergence of new information relevant to the Group. As such, the estimated target prices in the research reports may not be an accurate prediction of the future market prices of the Shares.

9.9. Other Relevant Considerations

9.9.1. Impact of the FY2018 Dividend

As set out in section 2.6 of the Offer Document, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distributions, the Distribution Record Date for which falls on or after the Offer Announcement Date.

At the annual general meeting of the Company held on 25 April 2019, the Shareholders approved the FY2018 Dividend. The Company has fixed 9 May 2019 as the Distribution Record Date in respect of the FY2018 Dividend.

Accordingly, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of the FY2018 Dividend as follows, depending on when the Offer Settlement Date falls:

- (a) if the Offer Settlement Date falls on or before the Distribution Record Date in respect of the FY2018 Dividend, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Price of S\$0.28 for each Offer Share, as the Offeror will receive the FY2018 Dividend in respect of such Offer Shares from the Company; and
- (b) if the Offer Settlement Date falls after the Distribution Record Date in respect of the FY2018 Dividend, the Offer Price payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the FY2018 Dividend in respect of such Offer Shares (i.e. S\$0.2775 for each Offer Share), as the Offeror will not receive the FY2018 Dividend from the Company.

9.9.2. Outlook of the Group

The following statements were made on 30 April 2019 in the Company's announcement in relation to the Group's unaudited financial statements for 1Q2019:

"The ongoing economic uncertainties arising from US-China trade tensions is putting a lot of price pressure on agricultural commodities. CPO prices will remain volatile with demand projected from key import markets like China and India, together with the relative price of crude oil which affects biodiesel demand.

The domestic palm demand is expected to be affected by the roll-out of B20 (20%) biodiesel blending in September 2018 to both Public Service Obligation (PSO) and non-PSO sector and the Indonesian government's intention to accelerate the implementation of B30 biodiesel program in 2019."

9.9.3. Likelihood of competing offers is remote

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Offer Shares from any third party.

According to the Offer Document, as at 16 April 2019 (being the latest practicable date in the Offer Document), the Offeror Concert Group held an aggregate of 1,040,415,818 Shares, representing approximately 74.53% of the total number of issued Shares. It is therefore highly unlikely that there will be a competing offer from any third party.

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9.9.4. Statutory control over the Company

According to the Offer Document, as at 16 April 2019 (being the latest practicable date in the Offer Document), the Offeror Concert Group held an aggregate of 1,040,415,818 Shares, representing approximately 74.53% of the total number of issued Shares. Accordingly, the Offeror already has statutory control over the Company which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and the ability to pass all ordinary resolutions at the Company's general meetings on matters in which the Offeror Concert Group do not have an interest.

9.9.5. Offeror's intentions for the Group

As stated in section 10 of the Offer Document, the Offeror intends for the Company to continue to develop and grow the existing businesses of the Group. The Offeror and the Company will continue to review, from time to time, the operations of the Group as well as the Company's strategic options. The Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the interests of the Offeror and/or the Company.

Save as disclosed above, the Offeror has no current intentions to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of existing employees of the Group, in each case, other than in the ordinary course of business.

9.9.6. Conditional offer

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror Concert Group before or during the Offer, will result in the Offeror Concert Group holding more than 90% of the total number of Shares as at the close of the Offer (excluding treasury shares).

In the event that the Offer does not become or is not declared unconditional in all respects by the close of the Offer and has been withdrawn or has lapsed:

- (a) all acceptances of the Offer will be returned to the relevant Shareholders; and
- (b) pursuant to Rule 33.1(a) of the Code, except with the consent of the Securities Industry Council (the "SIC"), neither the Offeror nor any persons acting in concert with it may, within 12 months from the date on which the Offer is withdrawn or lapses, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 14 to make an offer.

In the event that the Offer becomes or is declared unconditional in all respects by the close of the Offer:

- (a) Shareholders who accept the Offer will receive the Offer Price for each Offer Share validly tendered in acceptance of the Offer; and
- (b) pursuant to Rule 33.2 of the Code, except with the SIC's consent, neither the Offeror nor any persons acting in concert with it may, within 6 months of the close of the Offer, make a second offer to, or acquire any Shares from, any Shareholder on terms better than those made available under the Offer.

9.9.7. Compulsory acquisition

As stated in section 11.1 of the Offer Document, pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury) (the "Compulsory

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Acquisition Threshold”), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the “**Dissenting Shareholders**”) on the same terms as those offered under the Offer (the “**Compulsory Acquisition Right**”).

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer and the Offeror will then proceed to delist the Company from the SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.** Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude treasury shares or Shares held by the Offeror, its related corporations or their respective nominees.

9.9.8. Listing status of the Company

As stated in section 11.2 of the Offer Document, pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting or presumed to be acting in concert with the Offeror in connection with the Offer to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public (the “**Free Float Requirement**”). Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of 3 months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares (excluding any Shares held in treasury) in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

In the event that the Free Float Requirement is not satisfied, the Offeror does not intend to preserve the listing status of the Company and has no intention to undertake or support any action to satisfy the Free Float Requirement or for any such trading suspension by the SGX-ST to be lifted. In such event, the Offeror intends to seek the delisting of the Company from the SGX-ST. Shareholders should note that even if the Free Float Requirement is not met, the Offeror may not be able to exercise the Compulsory Acquisition Right if it does not achieve the Compulsory Acquisition Threshold.

9.9.9. Implications of delisting or suspension for Shareholders

The Offeror is making the Offer with a view to delisting and privatising the Company, and does not intend to preserve the listing status of the Company. In the event that the Free Float Requirement is not satisfied as a result of the Offer or other reasons, the Offeror (a) does not intend to undertake or support any action to satisfy the Free Float Requirement or for any such trading suspension by the SGX-ST to be lifted, and (b) intends to seek the delisting of the Company from the SGX-ST. It will also exercise any right of compulsory acquisition that may arise under Section 215(1) of the Companies Act.

Shareholders who do not accept the Offer should note the following implications or consequences which may arise as a result of any suspension in and/or delisting of the Shares:

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- (a) shares of unlisted companies are generally valued at a discount to the shares of comparable listed companies as a result of lack of marketability;
- (b) it is likely to be difficult for Shareholders to sell their Shares in the absence of a public market for the Shares as there is no arrangement for such Shareholders to exit their investments in the Shares. If the Company is delisted, even if such Shareholders were able to sell their Shares subsequently, they may receive a lower price than that of the Offer Price; and
- (c) as an unlisted company, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular, the continuing corporate disclosure requirements under Chapter 7 of the Listing Manual and Appendices 7.1 to 7.4 to the Listing Manual. Shareholders will no longer enjoy the same level of protection, transparency and accountability accorded by the Listing Manual. Nonetheless, as a company incorporated in Singapore, the Company will still need to comply with the Companies Act and its Constitution and the interests of Shareholders who do not accept the Offer will be protected to the extent provided for in the Companies Act which includes, *inter alia*, the entitlement to be sent a copy of the profit and loss accounts and balance sheet at least 14 days before each annual general meeting at which the accounts will be presented.

9.9.10. Dividend track record of the Company

The Company had declared and had paid and/or will be paying the following dividends in respect of the last 3 financial years:

(S\$)	FY2016	FY2017	FY2018
Final tax exempt (one-tier) dividend per Share	0.0065	0.0070	0.0025

Source: Company's announcements

We note that the Company has been consistently paying dividends since 2012. The Directors have confirmed that the Company does not have a formal dividend policy and that dividend payments are made with due consideration of the Company's financial performance, liquidity, capital commitment, business prospect, economic outlook and regulatory factors.

We wish to highlight that the above dividend payments are not an indication of the Company's future dividend policy, and there is no assurance that the Company will continue to pay dividends in future and/or maintain the level of dividends paid in past periods.

10. OPINION AND ADVICE

10.1. Our Opinion

In arriving at our opinion on the financial terms of the Offer, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) the Group's gross profits, gross profit margins, net profits attributable to owners of the Company and net profit margins had been declining from FY2016 to FY2018 and from 1Q2018 to 1Q2019. In this regard, the Group had recorded a net loss attributable to owners of the Company of approximately Rp221.8 billion in FY2018 *vis-à-vis* a net profit attributable to owners of the Company of approximately Rp447.3 billion in FY2017, and recorded a net loss attributable to owners of the Company of approximately Rp57.8 billion in 1Q2019 *vis-à-vis* a net profit attributable to owners of the Company of approximately Rp49.8 billion in 1Q2018;
- (b) the Offer Price represents a premium of approximately 23.1%, 29.0%, 26.3% and 21.5% over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively;

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- (c) the Shares had generally underperformed the rebased FSTAS Index during the one-year period prior to and including the Last Trading Day;
- (d) the Offer Price represents a significant discount of approximately 64.9% to the unaudited NAV per Share of the Group as at 31 March 2019;
- (e) the P/NAV multiple of 0.351 times as implied by the Offer Price is above the corresponding average historical trailing P/NAV multiples of the Shares of 0.276 times, 0.262 times, 0.269 times and 0.268 times respectively for each of the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day;
- (f) in respect of the Group's operating performance *vis-à-vis* the Comparable Companies in FY2018:
 - (i) the Group's gross profit margin of 15.6% is generally at the lower end of the range of gross profit margins of the Comparable Companies of between 9.1% and 44.0%;
 - (ii) at the PBT level, 2 of the Comparable Companies had recorded pre-tax losses. Adjusted for the one-off item in relation to the loss on deemed disposal on investment in CMAA in FY2018, the Group's PBT margin of 0.3% is below the range of PBT margins of the other 3 Comparable Companies of between 1.2% and 28.6%;
 - (iii) the Group's net debt level of approximately S\$849.8 million is higher than those of most of the Comparable Companies, which net debt levels ranged between approximately S\$346.4 million and approximately S\$3,839.2 million (excluding Global Palm which is in a net cash position);
 - (iv) the Group's net gearing ratio of 0.43 times is generally at the lower end of the range of net gearing ratios of the Comparable Companies of between 0.29 times and 11.48 times (excluding Global Palm which is in a net cash position);
 - (v) 2 of the Comparable Companies recorded a return on equity of 12.9% and 14.1% and a return on assets of 6.6% and 7.6%, while the Group and the other 3 Comparable Companies recorded after-tax losses;
 - (vi) the Group's FFB yield of 15.2 tonnes/hectare is below the range of FFB yields of the Comparable Companies of between 16.6 tonnes/hectare and 22.5 tonnes/hectare; and
 - (vii) the Group's CPO yield of 3.2 tonnes/hectare is below the range of CPO yields of the Comparable Companies of between 3.3 tonnes/hectare and 6.4 tonnes/hectare;
- (g) in respect of the Comparable Companies:
 - (i) the EV/EBITDA ratio of the Company of 11.11 times (as implied by the Offer Price) is (aa) within the range of EV/EBITDA ratios of the Comparable Companies of between 8.48 times and 71.07 times, (bb) below the mean EV/EBITDA ratio of the Comparable Companies of 15.26 times, and (cc) above the median EV/EBITDA ratio of the Comparable Companies of 10.64 times;
 - (ii) the EV/Hectare of the Company of S\$8,560 (as implied by the Offer Price) is (aa) within the range of EV/Hectare of the Comparable Companies of between S\$1,943 and S\$19,862, and (bb) significantly below the mean and median EV/Hectare of the Comparable Companies of S\$12,316 and S\$13,918 respectively; and
 - (iii) the P/NAV ratio of the Company of 0.35 times (as implied by the Offer Price) is (aa) below the range of P/NAV ratios of the Comparable Companies of between 0.66 times and 2.27 times, and (bb) significantly below the mean and median P/NAV ratios of the Comparable Companies of 1.24 times and 0.86 times respectively;

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- (h) in respect of the Precedent Privatisations:
- (i) the premium of approximately 7.7% (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 1.6% and 164.9%, and (bb) significantly below the corresponding mean and median premia of the Precedent Privatisations of 29.3% and 27.7% respectively;
 - (ii) the premium of approximately 21.5% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 6.4% and 160.2%, and (bb) below the corresponding mean and median premia of the Precedent Privatisations of 34.6% and 32.9% respectively;
 - (iii) the premium of approximately 26.3% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 11.9% and 167.9%, and (bb) below the corresponding mean and median premia of the Precedent Privatisations of 38.1% and 34.5% respectively;
 - (iv) the premium of approximately 29.0% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 15.7% and 177.6%, and (bb) below the corresponding mean and median premia of the Precedent Privatisations of 39.0% and 37.7% respectively; and
 - (v) the P/NAV ratio of the Company of 0.35 times (as implied by the Offer Price) is (aa) within the range of P/NAV ratios of the Precedent Privatisations of between 0.30 times and 4.50 times, and (bb) significantly below the corresponding mean and median P/NAV ratios of the Precedent Privatisations of 0.94 times and 0.84 times respectively;
- (i) the Offer Price exceeds the analysts' target prices for the Shares ranging between S\$0.19 and S\$0.26;
- (j) the likelihood of a competing offer is remote in view of the Offeror Concert Group's shareholding interest of approximately 74.53% in the Company as at 16 April 2019;
- (k) the Offeror already has statutory control over the Company which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and the ability to pass all ordinary resolutions at the Company's general meetings on matters in which the Offeror Concert Group do not have an interest; and
- (l) the Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror Concert Group before or during the Offer, will result in the Offeror Concert Group holding more than 90% of the total number of Shares as at the close of the Offer (excluding treasury shares).

Having considered the aforesaid points including the various factors set out in this Letter and summarised in this section, we are of the opinion that, on balance, the financial terms of the Offer are **not fair but reasonable**.

In determining that the Offer is **not fair**, we have considered the following pertinent factors:

- (i) the Offer Price represents a significant discount to the unaudited NAV per Share of the Group as at 31 March 2019;
- (ii) the EV/EBITDA ratio and EV/Hectare of the Company (as implied by the Offer Price) are generally below the corresponding mean and median EV/EBITDA ratios and EV/Hectare of

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the Comparable Companies, and the P/NAV ratio of the Company (as implied by the Offer Price) is below the range of P/NAV ratios of the Comparable Companies; and

- (iii) the premia of the Offer Price over each of the last transacted price, the one-month VWAP, the 3-month VWAP and the 6-month VWAP of the Shares up to and including the Last Trading Day are below the corresponding mean and median premia of the Precedent Privatisations respectively, and the P/NAV ratio of the Company (as implied by the Offer Price) is significantly below the corresponding mean and median P/NAV ratios of the Precedent Privatisations.

In determining that the Offer is **reasonable**, we have considered the following pertinent factors:

- (i) the Group's gross profits and gross profit margins had been declining from FY2016 to FY2018 and from 1Q2018 to 1Q2019, while the net profits attributable to owners of the Company and net profit margins had also decreased from FY2016 to FY2017 and turned into a net loss attributable to owners of the Company and a net loss margin in each of FY2018 and 1Q2019;
- (ii) the Offer Price represents a premium of between 21.5% and 29.0% over the VWAPs of the Shares for each of the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day;
- (iii) the Shares had generally underperformed the rebased FSTAS Index during the one-year period prior to and including the Last Trading Day;
- (iv) notwithstanding that the Offer Price is at a significant discount to the unaudited NAV per Share as at 31 March 2019, the P/NAV multiple as implied by the Offer Price is above the corresponding average historical trailing P/NAV multiples of the Shares for each of the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day;
- (v) the Group's operating performance *vis-à-vis* the Comparable Companies in FY2018 viz. its generally lower gross profit margin, lower FFB yield and lower CPO yield;
- (vi) the Offer Price exceeds the analysts' target prices for the Shares;
- (vii) there is no alternative take-over offer for the Shares as at the Latest Practicable Date; and
- (viii) the Offeror already has statutory control over the Company which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company.

10.2. Our Advice

Accordingly, we advise the Recommending Directors to recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions.

We would advise the Recommending Directors to consider highlighting to the Shareholders that there is no assurance that the market prices of the Shares after the close of the Offer may be maintained at current levels prevailing as at the Latest Practicable Date.

The Recommending Directors should note that transactions of the Shares are subject to possible market fluctuations and accordingly, our opinion and advice on the Offer do not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This Letter is addressed to the Recommending Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer. The recommendation made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Recommending Directors.

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Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of NCF in each specific case, except for the purpose of the Offer. Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore and are strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours truly,
For and on behalf of
Novus Corporate Finance Pte. Ltd.

Andrew Leo
Chief Executive Officer

Huong Wei Beng
Director

APPENDIX B – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Description
Mr. Lee Kwong Foo, Edward	c/o 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818	Chairman and Lead Independent Director
Mr. Lim Hock San	c/o 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818	Vice Chairman and Independent Director
Mr. Mark Julian Wakeford	c/o 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818	Chief Executive Officer and Executive Director
Mr. Moleonoto Tjang	c/o 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818	Executive Director
Mr. Suaimi Suriady	c/o 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818	Executive Director
Mr. Tjhie Tje Fie	c/o 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818	Non-executive Director
Mr. Axton Salim	c/o 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818	Non-executive Director
Mr. Goh Kian Chee	c/o 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818	Independent Director
Mr. Hendra Susanto	c/o 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818	Independent Director

2. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818.

3. PRINCIPAL ACTIVITIES OF THE COMPANY

The Company is a public limited liability company incorporated in Singapore and is listed on the Mainboard of the SGX-ST. The principal activity of the Company is that of an investment holding company.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

The Group is a vertically integrated agribusiness group with its principal activities comprising research and development, oil palm seed breeding, cultivation of oil palm plantations, milling of oil palm, production and refining of crude palm oil, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products. The Group is also engaged in the cultivation of rubber, sugar cane and other crops. These activities are carried out through the Company's subsidiaries, associates and joint ventures.

The Group's business segments are (i) Plantations; and (ii) Edible Oils and Fats.

4. SHARE CAPITAL OF THE COMPANY

4.1 Number and class of Shares

The Company has only one class of Shares, being ordinary shares. The Shares are quoted and listed on the Official List of the Mainboard of the SGX-ST. Based on a search conducted at the ACRA, the total issued and paid-up share capital of the Company is approximately S\$948,910,743 comprising 1,395,904,530 Shares (excluding treasury shares). The Company holds 51,878,300 treasury shares.

4.2 Rights of Shareholders in respect of capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. An extract of the relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting is reproduced in Appendix F to this Circular. The Constitution is available for inspection at the registered address of the Company at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818. Capitalised terms and expressions not defined in the extract have the meanings ascribed to them in the Constitution and/or the Companies Act.

4.3 Number of Shares issued since the end of the last financial year

As at the Latest Practicable Date, no new Shares have been issued by the Company since 31 December 2018, being the end of the last financial year.

4.4 Convertible instruments

The Company has not issued any instruments convertible into, rights to subscribe for, and options in respect of, Shares and securities which carry voting rights affecting Shares that are outstanding as at the Latest Practicable Date.

5. SUMMARY OF FINANCIAL INFORMATION

5.1 Consolidated statements of comprehensive income

A summary of the audited consolidated statement of comprehensive income of the Group for FY2016, FY2017, FY2018 and the unaudited financial information of the Group for 1QFY2019 is set out below.

	Audited FY2016	Audited FY2017	Audited FY2018	Unaudited 1QFY2019
	IDR millions	IDR millions	IDR millions	IDR millions
Turnover	14,530,938	15,725,304	14,059,450	3,358,231
Exceptional items	–	–	–	–
Net profit/(loss) before tax	1,689,541	1,138,153	(46,413)	(80,273)
Net profit/(loss) after tax	792,289	652,885	(426,515)	(130,298)
Profit/(loss) attributable to the owners of the Company	506,540	447,314	(221,764)	(57,790)
Non-controlling interests	285,749	205,571	(204,751)	(72,508)
Net earnings/(loss) per share (IDR)	363	320	(159)	(41)
Net dividends per share (SGD cents)	0.65	0.70	0.25	–

APPENDIX B – ADDITIONAL GENERAL INFORMATION

The financial information for FY2016, FY2017 and FY2018 should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes as set out in the annual reports of the Company for FY2016, FY2017 and FY2018, and the financial information for 1QFY2019 should be read in conjunction with the 1QFY2019 Results and the accompanying notes as set out therein.

5.2 Statement of financial position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2018 (being the date to which the Company's last published audited financial statements were made up) is set out below.

	As at 31 December 2018 IDR millions
Non-current assets	30,385,412
Current assets	7,128,839
Total assets	37,514,251
Current Liabilities	9,044,190
Non-current liabilities	7,616,868
Total liabilities	16,661,058
Net assets	20,853,193
Equity attributable to owners of the Company	
Share capital	3,584,279
Treasury shares	(390,166)
Other reserves	517,935
Retained earnings	8,075,562
	11,787,610
Non-controlling interests	9,065,583
Total Equity	20,853,193

The above summary should be read together with the annual report for FY2018 and the audited consolidated statements of financial position of the Group for FY2018, which are set out in Appendix D to this Circular, and the related notes thereto.

5.3 Significant accounting policies

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited financial statements of the Group for FY2018 which are reproduced in Appendix D to this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited financial statements of the Group for FY2018 and in the 1QFY2019 Results), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

5.4 Changes in accounting policies

Singapore Financial Reporting Standards (International) (“SFRS(I)”) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group adopted the SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group has chosen, on a lease-by-lease basis, to measure the right-of-use asset at its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

In addition, the Group elected the following practical expedients:

- (a) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- (b) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

On the adoption of SFRS(I) 16, the Group recognised right-of-use assets of IDR123 billion and lease liabilities of IDR129 billion for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of IDR3.8 billion and non-controlling interests of IDR1.5 billion as of 1 January 2019. In addition, the Group will present land use rights of IDR1,849 billion as right-of-use assets as of 1 January 2019.

Save as disclosed above, the Group has applied the same accounting policies and methods of computation as with those in the audited financial statements of the Group for FY2018 and there are no changes in the accounting policies of the Group which will cause the financial statements of the Group not to be comparable to a material extent.

6. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in this Circular and publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results such as the 1QFY2019 Results as announced on 30 April 2019 and set out in Appendix E to this Circular), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2018, being the date to which the Company’s last published audited financial statements were made up.

7. DISCLOSURE OF INTERESTS OF THE COMPANY AND THE DIRECTORS

7.1 Shareholdings and dealings

As at the Latest Practicable Date:

- (a) the Company does not have any direct or deemed interests in any Offeror Securities;
- (b) none of the Directors has any direct or deemed interests in any Offeror Securities;

APPENDIX B – ADDITIONAL GENERAL INFORMATION

- (c) each of the Company and the Directors have not dealt for value in any Offeror Securities during the Reference Period;
- (d) save as disclosed below and in this Circular, as at the Latest Practicable Date, none of the Directors has any direct or deemed interests in any Company Securities:

Name	No. of Shares					
	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Mr. Mark Julian Wakeford ⁽²⁾	300,000	0.02	200,000	0.01	500,000	0.04

Notes:

- (1) Calculated based on a total of 1,395,904,530 issued Shares (excluding treasury shares) as at the Latest Practicable Date and rounded to the nearest two decimal places.
- (2) Mr. Mark Julian Wakeford is deemed interested in the 200,000 Shares held by his spouse.

- (e) none of the Directors has dealt for value in any Company Securities during the Reference Period.

7.2 Directors' intentions in relation to the Offer

Mr. Mark Julian Wakeford, being the only Director who has any direct or deemed interests in the Shares, has informed the Company that he intends to accept the Offer in respect of all 300,000 Shares for which he owns and his spouse intends to accept the Offer in respect of her 200,000 Shares.

7.3 Directors' service contracts

As at the Latest Practicable Date, (i) there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation; and (ii) there are no such service contracts entered into or amended between any of the Directors or proposed director with the Company or any of its subsidiaries during the period between the start of six (6) months preceding the Offer Announcement Date and the Latest Practicable Date.

7.4 Arrangements affecting directors

As at the Latest Practicable Date:

- (a) there are no payments or other benefits which will be made or given to any Director or any director of any corporation, which is by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and
- (c) save as disclosed in Section 7 (Disclosure of Interests of the Company and the Directors) of this Appendix B, none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

8. DISCLOSURE OF INTERESTS OF THE INDEPENDENT FINANCIAL ADVISER

None of the IFA or any of the funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities as at the Latest Practicable Date, or has dealt with any Company Securities during the Reference Period.

9. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, there have been no material contracts (not being contracts entered into during the ordinary course of business carried on by the Company) entered into by the Company or any of its subsidiaries with Interested Persons, during the three (3) years preceding the Offer Announcement Date.

10. MATERIAL LITIGATION

As at the Latest Practicable Date:

- (a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole; and
- (b) the Directors are not aware of any litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

11. COSTS AND EXPENSES

All expenses and costs incurred by the Company in relation to the Offer shall be borne by the Company.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from Appendix 3 to the Offer Document:

“APPENDIX 3

ADDITIONAL INFORMATION ON THE OFFEROR

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Description
<i>Anthoni Salim</i>	<i>Sudirman Plaza Indofood Tower, 27th Floor, Jalan Jendral Sudirman Kav. 76-78, Jakarta 12910</i>	<i>Director</i>
<i>Franciscus Welirang</i>	<i>Sudirman Plaza Indofood Tower, 27th Floor, Jalan Jendral Sudirman Kav. 76-78, Jakarta 12910</i>	<i>Director</i>
<i>Tjhie Tje Fie</i>	<i>Sudirman Plaza Indofood Tower, 27th Floor, Jalan Jendral Sudirman Kav. 76-78, Jakarta 12910</i>	<i>Director</i>
<i>Taufik Wiraatmadja</i>	<i>Sudirman Plaza Indofood Tower, 27th Floor, Jalan Jendral Sudirman Kav. 76-78, Jakarta 12910</i>	<i>Director</i>
<i>Paulus Moleonoto (also known as Moleonoto Tjang)</i>	<i>Sudirman Plaza Indofood Tower, 27th Floor, Jalan Jendral Sudirman Kav. 76-78, Jakarta 12910</i>	<i>Director</i>
<i>Axton Salim</i>	<i>Sudirman Plaza Indofood Tower, 27th Floor, Jalan Jendral Sudirman Kav. 76-78, Jakarta 12910</i>	<i>Director</i>
<i>Joedianto Soejonopoetro</i>	<i>Sudirman Plaza Indofood Tower, 27th Floor, Jalan Jendral Sudirman Kav. 76-78, Jakarta 12910</i>	<i>Director</i>
<i>Hendra Widjaja</i>	<i>Sudirman Plaza Indofood Tower, 27th Floor, Jalan Jendral Sudirman Kav. 76-78, Jakarta 12910</i>	<i>Director</i>
<i>Sulianto Pratama</i>	<i>Sudirman Plaza Indofood Tower, 27th Floor, Jalan Jendral Sudirman Kav. 76-78, Jakarta 12910</i>	<i>Director</i>

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

2. PRINCIPAL ACTIVITIES

The Offeror is a company incorporated in Indonesia on 14 August 1990 and is listed on the Indonesia Stock Exchange.

The Offeror 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 in the market. The Offeror is a well-established company and a leading player in each category of business in which it operates, which are categorised into four (4) complementary Strategic Business Groups, namely:

- (a) Consumer Branded Products Group which produces a diverse range of consumer branded products including noodles, dairy products, snack foods, food seasonings, nutrition and special foods as well as beverages;*
- (b) Bogasari Group which is primarily a producer of wheat flour and pasta. Its business operations are supported by shipping and packaging units;*
- (c) Agribusiness Group with principal activities ranging from research and development, seed breeding, oil palm cultivation and milling; as well as the production and marketing of branded cooking oils, margarine and shortening. In addition, the Agribusiness Group is also involved in the cultivation and processing of rubber and sugar cane as well as other crops; and*
- (d) Distribution Group which boasts the most extensive distribution network in Indonesia. It distributes the majority of the Offeror's consumer products as well as third party products.*

Additional information on the Offeror can be found at its website at www.indofood.com.

3. SHARE CAPITAL

Share Capital. *As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of IDR 878,042,650,000 comprising 8,780,426,500 Offeror Shares with a par value of IDR 100 each. As at the Latest Practicable Date, 4,396,103,450 Offeror Shares, representing approximately 50.07% of the total number of Offeror Shares, are held indirectly by FPC. FPC is listed on the Stock Exchange of Hong Kong Limited. Mr Anthoni Salim has an aggregate deemed interest of approximately 44.35% in the issued share capital of FPC, including his deemed interest held through FPIL's and FPILBVI's direct interests in FPC.*

4. REGISTERED OFFICE

The registered office of the Offeror is at Sudirman Plaza Indofood Tower, 27th Floor, Jalan Jendral Sudirman Kav. 76-78, Jakarta 12910. The Offeror does not have a principal office in Singapore.

5. SUMMARY OF FINANCIAL STATEMENTS

5.1 Summary of Financial Information. *A summary of certain financial information relating to the Offeror for FY2016, FY2017, FY2018 is set out below. This summary financial information is extracted from and should be read together with the audited consolidated financial statements of the Offeror for FY2016, FY2017 and FY2018 respectively (copies of which are available for inspection as set out in paragraph 4 of Appendix 6 to this Offer Document).*

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

5.2 Consolidated Income Statements of the Offeror. A summary of the audited consolidated income statements of the Offeror for FY2016, FY2017 and FY2018 is set out below:

	FY2016 IDR millions	FY2017 IDR millions	FY2018 IDR millions
Revenue	66,659,484	70,186,618	73,394,728
Profit before tax	7,385,228	7,594,822	7,446,966
Profit after tax	5,266,906	5,097,264	4,961,851
Non-controlling interests	1,122,335	941,042	795,750
Profit for the year attributable to the equity holders of the parent entity	4,144,571	4,156,222	4,166,101
Basic earnings per Offeror Share attributable to the equity holders of the parent entity (IDR)	472	473	474
Total dividends per Offeror Share (IDR)	235	237	See note below

Note: As at the Latest Practicable Date, the total dividends per Offeror Share for FY2018 has not been determined. The dividends per Offeror Share for FY2018 will be proposed and will be subject to the approval of the Offeror's shareholders, at the forthcoming annual general meeting of the Offeror to be held on 29 May 2019.

5.3 Consolidated Balance Sheet of the Offeror. A summary of the audited consolidated balance sheet of the Offeror as at 31 December 2018 is set out below:

	As at 31 December 2018 IDR millions
Current assets	33,272,618
Non-current assets	63,265,178
Total assets	96,537,796
Current liabilities	31,204,102
Non-current liabilities	15,416,894
Total liabilities	46,620,996
NET ASSETS	49,916,800
Equity attributable to equity holders of the parent entity	33,614,280
Non-controlling interests	16,302,520
TOTAL EQUITY	49,916,800

6. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save as disclosed in this Offer Document, and save for the making and financing of the Offer and the information on the Offeror which is publicly available, there has been no known material change in the financial position of the Offeror since 31 December 2018, being the date of the last audited consolidated financial statements of the Offeror.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

7. SIGNIFICANT ACCOUNTING POLICIES

Save as disclosed in the notes to the audited consolidated financial statements of the Offeror for FY2016, FY2017, FY2018 prepared in accordance with Indonesian Financial Accounting Standards:

- (a) there were no significant accounting policies or any points from the notes of the financial statements of the Offeror which are of any major relevance for the interpretation of the financial statements of the Offeror; and*
- (b) there is no change in the accounting policies of the Offeror which will cause the figures set out in Paragraph 5 above to be not comparable to a material extent.*

A copy of the audited consolidated financial statements of the Offeror for FY2016, FY2017, FY2018 (which contain the notes to the financial statements) is available for inspection as mentioned in Paragraph 4 of Appendix 6 to this Offer Document.”

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2018**

The audited consolidated financial statements of the Group for FY2018 which are set out below have been reproduced from the Company's annual report for FY2018, and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in the Notes to the audited consolidated financial statements of the Group for FY2018 set out below shall have the same meanings given to them in the annual report of the Company for FY2018.

A copy of the annual report of the Company for FY2018 is available for inspection at the registered address of the Company at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818, during normal business hours until the Closing Date.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance of the business, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Lee Kwong Foo, Edward	Chairman
Lim Hock San	Vice Chairman
Mark Julian Wakeford	Chief Executive Officer
Moleonoto Tjang	
Suaimi Suriady	
Tjhie Tje Fie	
Axton Salim	
Goh Kian Chee	
Hendra Susanto	

In accordance with Regulation 111 of the Company's Constitution, Suaimi Suriady, Moleonoto Tjang and Axton Salim retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following director, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year
Ordinary shares of the Company				
Mark Julian Wakeford	300,000	300,000	200,000	200,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

OPTIONS

No option to take up unissued shares of the Company or its subsidiaries was granted during the year.

There were no shares issued during the year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the year.

There were no unissued shares of the Company or its subsidiaries under option as at the end of the year.

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed by the Audit Committee are described in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Mark Julian Wakeford
Director

Moleonoto Tjang
Director

Singapore
22 March 2019

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT

to the members of Indofood Agri Resources Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Indofood Agri Resources Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the consolidated statement of changes in equity, the consolidated statement of comprehensive income, and the consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have identified the following matters as key audit matters:

(i) Impairment assessment of goodwill

SFRS(I) 1-36 – Impairment of Assets requires goodwill to be tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. This annual goodwill impairment assessment is significant to our audit because the goodwill balance of Rp3,245.3 billion, which arose largely from the acquisition of PT Perusahaan Perkebunan London Sumatra Indonesia ("Lonsum"), is material to the financial statements and the recoverable value of the goodwill and the underlying assets associated with the acquired entities are determined by a value-in-use calculation using income approach which are complex, highly judgemental and subjective. Management engaged an independent valuer to determine the recoverable value of the goodwill only for Lonsum's integrated plantation estates. The plantation estates under Lonsum are identified as a single cash generating unit ("CGU") for impairment testing. The recoverable amount of other goodwill from other acquisitions were determined internally by management.

Under the income approach, the expected future cash flows are discounted to the present value by using a discount rate. The estimation of future cash flows requires the use of a number of other significant operational and predictive assumptions, such as fresh fruit bunch yield rate, extraction rate, projected selling price, inflation rate, exchange rate and also factors in the terminal value after the implicit period of 5 years.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT

to the members of Indofood Agri Resources Ltd.

Key audit matters (cont'd)

(i) Impairment assessment of goodwill (cont'd)

We reviewed the independent valuation reports and assessed the expertise, objectivity and competence of the independent valuer. We reviewed the discounted cash flow model to assess the appropriateness of the methodology employed by the valuer and management and the reasonableness of the key assumptions made. We compared the operational assumptions against historical data and trend to assess their reasonableness. We engaged the assistance of our internal valuation specialist to assess the reasonableness of the key predictive assumptions (among others, discount rate, inflation rate, exchange rate, and projected selling price) used.

We also reviewed the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The Group's disclosures about goodwill are in Note 15 to the financial statements, which explain that changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future.

(ii) Recoverability of deferred tax assets arising from tax losses carried forward

SFRS(I) 1-12 – Income Taxes allows the recognition of deferred tax asset on operating losses if it is probable that there will be sufficient taxable profits in future against which the tax losses can be utilised. The recognition of deferred tax asset is significant to our audit because the Group has recognised deferred tax asset of Rp1,125.0 billion which is material to the financial statements, of which Rp826.3 billion relates to unutilised tax losses carried forward. Additionally, certain subsidiaries continue to report net losses which raises doubt on whether the related deferred tax assets can be fully recovered in the future years as the tax losses in Indonesia generally expire after 5 years.

The assessment of recoverability of deferred tax asset was undertaken internally by management. We reviewed the key assumptions such as projected selling price, exchange rate and inflation rate used by management in the financial projections to determine the amount of taxable profits expected over the next five years. We reviewed the financial projections to assess the appropriateness of the methodology and reasonableness of the assumptions made. We compared the operational assumptions such as production yield, production cost and extraction rate against historical data and trend to assess their reasonableness. Our internal valuation specialists evaluated the reasonableness of certain key predictive assumptions.

The Group's disclosures on deferred tax assets are in Note 17 to the financial statements.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT

to the members of Indofood Agri Resources Ltd.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT

to the members of Indofood Agri Resources Ltd.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Vincent Toong Weng Sum.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
22 March 2019

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 Rp million	2017 Rp million
Revenue	4	14,059,450	15,725,304
Cost of sales	5	(11,861,526)	(12,663,858)
Gross profit		2,197,924	3,061,446
Selling and distribution expense		(525,014)	(509,354)
General and administrative expense		(884,577)	(945,863)
Foreign exchange loss		(118,034)	(14,450)
Other operating income	6	77,946	82,323
Other operating expense	7	(81,878)	(151,989)
Share of results of associate companies		(7,792)	(17,915)
Share of results of joint ventures		28,704	138,654
(Loss)/gain arising from changes in fair value of biological assets	13	(30,882)	34,839
Profit from operations	8	656,397	1,677,691
Loss on deemed disposal on investment in a joint venture	20	(87,049)	-
Finance income	9	104,199	107,505
Finance expense	10	(719,960)	(647,043)
(Loss)/profit before tax		(46,413)	1,138,153
Income tax expense	11	(380,102)	(485,268)
Net (loss)/profit for the year		(426,515)	652,885
(Loss)/profit for the year attributable to:			
Owners of the Company		(221,764)	447,314
Non-controlling interests		(204,751)	205,571
		(426,515)	652,885
Other comprehensive income ("OCI"):			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(38,590)	(469)
Items that will not be reclassified to profit or loss			
Unrealised loss for available-for-sales investment		(3,350)	-
Re-measurement gain/(loss) of employee benefits liability	28	228,304	(184,821)
Income tax effect related to re-measurement (gain)/loss of employee benefits liability	11	(57,076)	46,206
Share of OCI of an associate company and a joint venture		(52,995)	(14,100)
Other comprehensive income for the year, net of tax		76,293	(153,184)
Total comprehensive income for the year		(350,222)	499,701
Total comprehensive income attributable to:			
Owners of the Company		(214,673)	349,356
Non-controlling interests		(135,549)	150,345
Total comprehensive income for the year		(350,222)	499,701
Earnings per share (in Rupiah)	12		
- basic		(159)	320
- diluted		(159)	320

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		31 December 2018 Rp million	31 December 2017 Rp million	1 January 2017 Rp million	31 December 2018 Rp million	31 December 2017 Rp million	1 January 2017 Rp million
Non-current assets							
Biological assets	13	328,500	313,305	325,102	-	-	-
Property, plant and equipment	14	21,213,418	21,178,399	21,396,796	36,400	39,986	43,576
Goodwill	15	3,245,317	3,245,837	3,253,637	-	-	-
Claims for tax refund	16	284,779	126,732	178,704	-	-	-
Deferred tax assets	17	1,125,003	1,346,976	1,240,194	-	-	-
Investment in subsidiary companies	18	-	-	-	10,633,423	10,533,516	10,533,516
Investment in associate companies	19	1,469,721	1,358,774	1,002,247	551,139	551,139	551,139
Investment in joint ventures	20	809,373	874,911	751,850	-	-	-
Amount due from a subsidiary	21	-	-	-	1,150,000	730,000	730,000
Advances and prepayments	21	476,077	385,116	425,917	-	-	-
Other non-current receivables	21	1,433,224	1,209,487	1,174,662	10	10	9
Total non-current assets		30,385,412	30,039,537	29,749,109	12,370,972	11,854,651	11,858,240
Current assets							
Inventories	22	2,428,365	2,204,549	2,270,749	-	-	-
Trade and other receivables	23	1,395,471	1,200,404	1,122,774	93,424	76,172	78,142
Advances and prepayments	23	181,652	188,330	240,215	169	228	197
Prepaid taxes		336,031	273,845	251,107	-	-	-
Biological assets	13	516,656	536,821	464,722	-	-	-
Asset held for sale	14	41,795	41,795	-	-	-	-
Cash and cash equivalents	24	2,228,869	2,929,674	2,404,838	153,545	664,267	532,896
Total current assets		7,128,839	7,375,418	6,754,405	247,138	740,667	611,235
Total assets		37,514,251	37,414,955	36,503,514	12,618,110	12,595,318	12,469,475
Current liabilities							
Trade and other payables and accruals	25	1,810,233	1,631,014	1,499,716	114,796	104,739	14,843
Advances and other payables	25	234,699	194,703	453,672	-	-	-
Interest-bearing loans and borrowings	26	6,971,649	4,462,704	2,481,405	1,085,351	-	-
Income tax payable		27,609	91,731	215,515	9	18	-
Total current liabilities		9,044,190	6,380,152	4,650,308	1,200,156	104,757	14,843
Net current (liabilities)/ assets		(1,915,351)	995,266	2,104,097	(953,018)	635,910	596,392

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		31 December 2018 Rp million	31 December 2017 Rp million	1 January 2017 Rp million	31 December 2018 Rp million	31 December 2017 Rp million	1 January 2017 Rp million
Non-current liabilities							
Interest-bearing loans and borrowings	26	4,218,271	6,067,793	7,545,936	–	1,013,390	1,002,997
Amounts due to related parties and other payables	27	427,859	364,106	569,779	–	–	–
Provisions	27	32,007	34,149	31,086	–	–	–
Employee benefits liabilities	28	2,323,955	2,361,278	1,980,219	–	–	–
Deferred tax liabilities	17	614,776	784,827	848,134	7,942	–	–
Total non-current liabilities		7,616,868	9,612,153	10,975,154	7,942	1,013,390	1,002,997
Total liabilities		16,661,058	15,992,305	15,625,462	1,208,098	1,118,147	1,017,840
Net assets		20,853,193	21,422,650	20,878,052	11,410,012	11,477,171	11,451,635
Equity attributable to owners of the Company							
Share capital	29	3,584,279	3,584,279	3,584,279	10,912,411	10,912,411	10,912,411
Treasury shares	29	(390,166)	(390,166)	(390,166)	(390,166)	(390,166)	(390,166)
Revenue reserves	30	8,075,562	8,303,290	8,025,765	743,615	810,774	785,238
Other reserves	30	517,935	606,963	614,757	144,152	144,152	144,152
		11,787,610	12,104,366	11,834,635	11,410,012	11,477,171	11,451,635
Non-controlling interests		9,065,583	9,318,284	9,043,417	–	–	–
Total equity		20,853,193	21,422,650	20,878,052	11,410,012	11,477,171	11,451,635

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Note	Attributable to owners of the Company					Non-controlling interests Rp million	Total equity Rp million
	Share capital Rp million	Treasury shares Rp million	Other reserves Rp million	Revenue reserves Rp million	Total reserves Rp million		
At 1 January 2018 (FRS Framework)	3,584,279	(390,166)	582,329	8,327,924	8,910,253	9,318,284	21,422,650
Cumulative effects of adopting SFRS(I)	-	-	24,634	(24,634)	-	-	-
At 1 January 2018 (SFRS(I) Framework)	3,584,279	(390,166)	606,963	8,303,290	8,910,253	9,318,284	21,422,650
Net loss for the year	-	-	-	(221,764)	(221,764)	(204,751)	(426,515)
Other comprehensive income	-	-	(89,658)	96,749	7,091	69,202	76,293
Total comprehensive income for the year	-	-	(89,658)	(125,015)	(214,673)	(135,549)	(350,222)
<u>Contributions by and distribution to owners:</u>							
Dividend payments by subsidiary companies	-	-	-	-	-	(168,152)	(168,152)
Dividend payment to Company's shareholders	30(c)	-	-	(102,713)	(102,713)	-	(102,713)
Additional capital contributions from non-controlling shareholder to subsidiary companies	-	-	-	-	-	51,000	51,000
Share of an associate's employee share based compensation reserve	-	-	630	-	630	-	630
Total transactions with owners in their capacity as owners	-	-	630	(102,713)	(102,083)	(117,152)	(219,235)
Balance at 31 December 2018	3,584,279	(390,166)	517,935	8,075,562	8,593,497	9,065,583	20,853,193

Other reserves comprise capital reserves of subsidiary companies, gain on sale of treasury shares and foreign currency translation differences.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Note	Attributable to owners of the Company					Non- controlling interests Rp million	Total equity Rp million
	Share capital Rp million	Treasury shares Rp million	Other reserves Rp million	Revenue reserves Rp million	Total reserves Rp million		
At 1 January 2017 (FRS Framework)	3,584,279	(390,166)	590,123	8,050,399	8,640,522	9,043,417	20,878,052
Cumulative effects of adopting SFRS(I)	-	-	24,634	[24,634]	-	-	-
At 1 January 2017 (SFRS(I) Framework)	3,584,279	(390,166)	614,757	8,025,765	8,640,522	9,043,417	20,878,052
Net profit for the year	-	-	-	447,314	447,314	205,571	652,885
Other comprehensive income	-	-	(14,794)	(83,164)	(97,958)	(55,226)	(153,184)
Total comprehensive income for the year	-	-	(14,794)	364,150	349,356	150,345	499,701
<u>Contributions by and distribution to owners:</u>							
Dividend payments by subsidiary companies	-	-	-	-	-	(154,147)	(154,147)
Dividend payment to Company's shareholders	-	-	-	(86,554)	(86,554)	-	(86,554)
Additional capital contributions from non-controlling shareholder to subsidiary companies	-	-	-	-	-	260,483	260,483
Acquisition of non-controlling interest	-	-	(12,883)	(71)	(12,954)	12,954	-
Share of changes in an associate's other reserves	-	-	12,117	-	12,117	-	12,117
Share of an associate's employee share based compensation reserve	-	-	77	-	77	-	77
Gain on deemed disposal of an associate company	-	-	7,689	-	7,689	5,232	12,921
Total transactions with owners in their capacity as owners	-	-	7,000	(86,625)	(79,625)	124,522	44,897
Balance at 31 December 2017	3,584,279	(390,166)	606,963	8,303,290	8,910,253	9,318,284	21,422,650

Other reserves comprise capital reserves of subsidiary companies, gain on sale of treasury shares and foreign currency translation differences.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	Note	2018 Rp million	2017 Rp million
Cash flows from operating activities			
(Loss)/profit before taxation		(46,413)	1,138,153
Adjustments for:			
Depreciation and amortisation	8	1,488,895	1,430,421
Realisation of deferred costs		150,871	149,373
Unrealised foreign exchange loss		145,613	14,065
Loss/(gain) arising from changes in fair value of biological assets	13	30,882	(34,839)
Impairment loss of financial assets		-	41,394
Gain on disposal of property, plant and equipment	6	(4,466)	(6,504)
Write-off of property, plant and equipment		362	869
Provision for unrecoverable advances	7	-	38,952
Changes in allowance for decline in market value and obsolescence of inventories	5,22	3,058	5,163
Changes in provision for asset dismantling costs	7,27	(2,142)	3,063
Changes in estimated liability for employee benefits	28	328,308	349,017
Effective interest rate amortisation of financial assets		30,007	21,608
Share of results of associate companies		7,792	17,915
Share of results of joint ventures		(28,704)	(138,654)
Loss on deemed disposal on investment in a joint venture	20	87,049	-
Impairment of goodwill	15	520	7,800
Finance income	9	(104,199)	(107,505)
Finance expense	10	719,960	647,043
Operating cash flows before changes in working capital		2,807,393	3,577,334
Changes in working capital:			
Increase in other non-current receivables		(56,905)	(131,487)
(Increase)/decrease in inventories		(226,874)	61,037
Increase in trade and other receivables		(188,714)	(73,537)
(Increase)/decrease in advances to suppliers		(843)	51,462
Decrease in prepaid taxes, advances and other payable		(24,148)	(306,122)
Increase/(decrease) in trade and other payables and accruals		32,116	(11,857)
Cash flows from operations		2,342,025	3,166,830
Interest received		105,313	106,910
Interest paid		(708,227)	(632,229)
Income tax paid		(742,803)	(710,866)
Net cash flows from operating activities		996,308	1,930,645

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	Note	2018 Rp million	2017 Rp million
Cash flows from investing activities			
Additions to property, plant and equipment		(1,486,288)	(1,164,738)
Additions to biological assets	13	(10,074)	(4,481)
Increase in plasma receivables		(268,583)	(135,183)
Proceeds from disposal of property, plant and equipment		27,107	23,227
Advances for projects and purchases of fixed assets		(117,959)	(76,954)
Investment in associate companies		(109,323)	(349,350)
Investment in a joint venture		(99,984)	-
Net cash flows used in investing activities		<u>(2,065,104)</u>	<u>(1,707,479)</u>
Cash flows from financing activities			
Proceeds from interest-bearing loans and borrowings		4,464,981	3,128,000
Repayment of interest-bearing loans and borrowings		(3,983,434)	(2,662,474)
Proceeds from amount due to related parties		76,200	12,000
Dividend payments by subsidiaries to non-controlling interests		(168,152)	(154,147)
Dividend payment to the Company's shareholders	30(c)	(102,713)	(86,554)
Capital contributions from non-controlling interests		51,000	58,043
Net cash flows from financing activities		<u>337,882</u>	<u>294,868</u>
Net (decrease)/increase in cash and cash equivalents		(730,914)	518,034
Effect of changes in exchange rates on cash and cash equivalents		30,109	6,802
Cash and cash equivalents at the beginning of the financial year		<u>2,929,674</u>	<u>2,404,838</u>
Cash and cash equivalents at the end of the financial year	24	<u>2,228,869</u>	<u>2,929,674</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1. CORPORATE INFORMATION

Indofood Agri Resources Ltd. (the “Company”) is a public limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The registered office and principal place of business of the Company is located at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818.

The Group is a vertically-integrated agribusiness group, with its principal activities comprising research and development, oil palm seed breeding, cultivation of oil palm plantations, production and refining of crude palm oil (“CPO”), cultivation of rubber, sugar cane, cocoa, tea and industrial timber plantations, and marketing and selling these end products.

These activities are carried out through the Company’s subsidiaries, associates and joint ventures. The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries, associates and joint ventures are disclosed in Note 18 to 20 to the financial statements.

PT Indofood Sukses Makmur Tbk (“PT ISM”), incorporated in Indonesia, and First Pacific Company Limited, incorporated in Hong Kong, are the penultimate and ultimate parent company of the Company, respectively. The immediate holding company is Indofood Singapore Holdings Pte Ltd, incorporated in Singapore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (“FRS”). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on the effect of adopting SFRS(I).

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Indonesian Rupiah (“Rp”) and all values are rounded to the nearest million (“Rp million”) except when otherwise indicated.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (“SFRS(I)”)

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 January 2017, the Group and the Company’s date of transition to SFRS(I).

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (“SFRS(I)”) (cont'd)

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the exemption in which cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of Rp24,634 million was adjusted against the opening retained earnings as at 1 January 2017.

The following is the reconciliations of the impact arising from first-time adoption of SFRS(I) on 1 January 2017, 31 December 2017 and 1 January 2018 to the balance sheet of the Group:

As at 1 January 2017:

Balance sheet	Reported under FRS Rp million	SFRS(I) 1 adjustments Rp million	Reported under SFRS(I) Rp million
Equity attributable to owners of the Company:			
Share capital	3,584,279	-	3,584,279
Treasury shares	(390,166)	-	(390,166)
Revenue reserves	8,050,399	(24,634)	8,025,765
Other reserves	590,123	24,634	614,757
	11,834,635	-	11,834,635
Non-controlling interest	9,043,417	-	9,043,417
Total equity	20,878,052	-	20,878,052

As at 31 December 2017 and 1 January 2018:

Balance sheet	Reported under FRS Rp million	SFRS(I) 1 adjustments Rp million	Reported under SFRS(I) Rp million
Equity attributable to owners of the Company:			
Share capital	3,584,279	-	3,584,279
Treasury shares	(390,166)	-	(390,166)
Revenue reserves	8,327,924	(24,634)	8,303,290
Other reserves	582,329	24,634	606,963
	12,104,366	-	12,104,366
Non-controlling interest	9,318,284	-	9,318,284
Total equity	21,422,650	-	21,422,650

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (“SFRS(I)”) (cont'd)

There were no material adjustments to the Group’s Consolidated cash flow statement and Consolidated total comprehensive income arising from the transition from FRS to SFRS(I).

There were no material impact to the Company’s balances on adoption of SFRS(I).

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial Instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

(a) Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVPL”). Classification of debt instruments, depends on the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (“SPPI”). An entity’s business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets’ contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criterion of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group’s debt instruments have contractual cash flows that are solely payments of principal and interest. The Group holds its current financial assets to collect contractual cash flows, and accordingly measured at amortised cost when it applies SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at FVPL, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (“SFRS(I)”) (cont'd)

New accounting standards effective on 1 January 2018 (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

(a) Classification and measurement (cont'd)

The Group elected to measure its available-for-sale unquoted equity at FVOCI. Any subsequent changes in fair value of the available-for-sale will be recognised to other comprehensive income without recycling to profit or loss.

For financial assets held by the Group and the Company on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under SFRS(I) 9. Reclassifications resulting from management’s assessment are as follows:

Group

As at 1 January 2018	SFRS(I) 9 measurement category			Total
	FVPL	Amortised cost	FVOCI	
FRS 39 measurement category				
Loans and receivables				
Trade receivables	–	1,073,859	–	1,073,859
Other receivables	–	140,448	–	140,448
Plasma receivables	–	1,176,145	–	1,176,145
Available for sale				
Unquoted equity investment	–	–	19,439	19,439

Company

As at 1 January 2018	SFRS(I) 9 measurement category			Total
	FVPL	Amortised cost	FVOCI	
FRS 39 measurement category				
Loans and receivables				
Other receivables	–	806,182	–	806,182

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (“SFRS(I)”) (cont'd)

New accounting standards effective on 1 January 2018 (cont'd)

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses (“ECL”) on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group applies the simplified approach using provision matrix to assess the ECL on all trade receivables. The Group has assessed and concluded that the ECL is nil for the trade receivables due from related parties in view of the risk of default it low or remote. As for the trade receivables due from third parties, there are either covered by letter of credit or credit insurance, hence, management has assessed that the probability of default is low and no ECL is provided.

The Group and the Company applies general approach for financial assets that contain significant financing component such as the Group’s plasma receivables and the Company’s amount due from subsidiary companies. Under this approach, the Group and the Company assessed if there are any significant changes in credit risk of the receivables to determine whether to provide ECL based on 12-month or lifetime basis.

For plasma receivables and amount due from subsidiary companies, management has assessed that there was no significant decline in credit risk since initial recognition, therefore, determine the ECL be assessed based on 12-month basis. Management has assessed and concluded that no credit loss is required to be recognised as the probability of default is nil.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group is a vertically-integrated agribusiness group, with its principal activities comprising research and development, oil palm seed breeding, cultivation of oil palm plantations, production and refining of crude palm oil (“CPO”), cultivation of rubber, sugar cane, cocoa, tea and industrial timber plantations, and marketing and selling these end products. The Group’s business segments are (i) Plantations and (ii) Edible Oils and Fats (“EOF”).

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (“SFRS(I)”) (cont'd)

New accounting standards effective on 1 January 2018 (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

Certain contracts with customers within the respective business segments provide cash incentives and rights of return for edibles oils and fats products, volume discount for palm seeds and pricing change due to CPO quality. The amount of revenue recognised is based on the contractual price, net of volume discounts, good returns and adjustment for product quality. Such provisions give rise to variable consideration under SFRS(I) 15.

Except the reclassification of cash incentives from selling and distribution expenses to a deduction in revenue, there is no material impact on the financial statements in the year of initial application.

The comparatives have been restated with the following impact:

For the financial year ended 31 December 2017:

Statement of comprehensive income	Reported under FRS Rp million	SFRS(I) 15 adjustments Rp million	Reported under SFRS(I) Rp million
Revenue	15,826,648	(101,344)	15,725,304
Selling and distribution expense	(608,223)	101,344	(506,879)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or</i>
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1- 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

SFRS (I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognised right-of-use assets of Rp123 billion and lease liabilities of Rp129 billion for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of Rp7 billion before tax impact as of 1 January 2019. In addition, the Group will present land use rights of Rp1,850 billion as right-of-use assets as of 1 January 2019.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls are lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business Combination of Entities Under Common Control

As the transaction of business combination involving entities under common control does not result in a change of the economic substance of the ownership of businesses which are exchanged, the said transaction is recognised at its carrying amount using the pooling-of-interest method. In applying the pooling-of-interest method, the components of the financial statements of the combining entity, for the year during which the business combination of entities under common control occurred and for the comparative year, are presented in such a manner as if the combination has occurred since the beginning of the year of the combining entity are under common control. Difference in value of considerations transferred in a business combination of entities under common control or considerations received when disposal of business of entities under common control, if any, with its carrying amount is recognised as part of equity in the consolidated statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The Group's consolidated financial statements are presented in Indonesian Rupiah ("Rp"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into Rp at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.7 Property, plant and equipment

(a) Bearer plants

Bearer plants are living plants used in the production or supply of agricultural produce; they are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The Group's bearer plants comprise mainly oil palm, rubber and sugar cane plantations. The Group elected to account for its bearer plants using the cost model under SFRS(I) 16. Immature bearer plants are accounted for at accumulated cost, which consist mainly of the accumulated cost of land clearing, planting, fertilizing, up-keeping and maintaining the plantations, and allocations of indirect overhead costs up to the time the trees become commercially productive and available for harvest. Costs also include capitalised borrowing costs and other charges incurred in connection with the financing of the development of immature plantations. Immature plantations are not amortised.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment (cont'd)

(a) Bearer plants (cont'd)

Immature plantations are reclassified to mature plantations when they are commercially productive and available for harvest. In general, an oil palm plantation takes about 3 to 4 years to reach maturity from the time of planting the seedlings, while a rubber plantation takes about 5 to 6 years to reach maturity. A sugar cane plantation takes about a year to reach maturity, and can be harvested for an average of 3 times after the initial planting.

Mature plantations are stated at cost, and are amortised using the straight-line method over their estimated useful lives of the primary bearer plants as follows:

• Oil palm	25 years
• Rubber	25 years
• Sugar cane	4 years

The carrying amounts of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be fully recoverable.

The carrying amount of an item of bearer plants is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is directly included in the profit or loss when the item is derecognised.

The assets useful lives and amortisation method are reviewed at each year end and adjusted prospectively if necessary.

Upkeep and maintenance costs are recognised in profit or loss when they are incurred. The cost of major renovation and restoration is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the related asset.

(b) Other property, plant and equipment

All other property, plant and equipment are initially recognised at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to its working condition and to the location where it is intended to be used. Such cost also includes initial estimation at present value of the costs of dismantling and removing items of property, plant and equipment in certain CPO refinery and fractionation plants and margarine plants of the Group located in rented sites, costs of restoring the said rented sites, as well as costs of replacing part of such property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Subsequent to initial recognition, property, plant and equipment are carried at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

• Land use rights	10 to 44 years
• Buildings and improvements	10 to 25 years
• Plant and machinery	4 to 20 years
• Heavy equipment, transportation equipment and vessel	5 to 30 years
• Furniture, fixtures and office equipment	4 to 10 years

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment (cont'd)

(b) Other property, plant and equipment (cont'd)

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Repairs and maintenance costs are taken to the profit or loss when they are incurred. The cost of major renovation and restoration is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the related asset.

2.8 Biological assets

The Group's biological assets comprise timber plantations and agriculture produce of the bearer plants, which primarily comprise of oil palm, oil palm seeds, rubber and sugar cane.

The Group recognised the fair value of biological assets in accordance with SFRS(I) 1-41. Biological assets are stated at fair value less costs to sell. Gains or losses arising on initial recognition of biological assets and from the change in fair value of biological assets at each reporting date are recognised in the profit or loss for the period in which they arise.

The Group adopted the income approach to measure the fair value of the biological assets. For the valuation of unharvested produce of oil palm and rubber trees, the Group has applied the actual harvest data subsequent to year end to derive the fair value of unharvested produce of oil palm and rubber trees at year end. For the valuation of unharvested produce of mother palm trees and sugar cane, the Group has applied discounted cash flow models to derive its fair value.

For timber plantations, the Group appoints an independent valuer to determine the fair value of timber at year end and any resultant gains or losses arising from the changes in fair values is recognised in the profit or loss. The independent valuer adopts the income approach for the fair valuation of timber using a discounted cash flow model. The cash flow models estimate the relevant future cash flows which are expected to be generated in the future, and are discounted to the present value by using a discount rate. Please refer to Note 13 for more information.

2.9 Plasma receivables

Certain subsidiaries within the Group (collectively referred to as the "Nucleus Companies"), have commitments with several rural cooperatives ("KUD" or Koperasi Unit Desa) representing plasma farmers to develop plantations as required by the Indonesian government. The Nucleus Companies are to provide guidance and sharing of knowledge in developing the oil palm plasma plantations up to the productive stage.

The financing of these plasma plantations are mainly provided by the banks. In the situation where the plasma farmers' plantations have yet to generate positive cashflows to meet its repayment obligations to the banks, the Nucleus Companies provide temporary loans to help the plasma farmers to develop the plantation and to repay the principal and interest. Several Nucleus Companies provide corporate guarantees to the related credit facilities provided by the banks.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Plasma receivables (cont'd)

The plasma receivables presented in the Consolidated statement of financial position consist of accumulated development costs incurred and the funding provided by the Nucleus Companies to the KUD or plasma farmers less the funds received from banks on behalf of the KUD or plasma farmers and accumulated impairment loss.

Plasma receivables also include advances to plasma farmers for topping up the loan interest and instalment payments to banks, and advances for fertilizers and other agriculture supplies. These advances shall be reimbursed by the plasma farmers.

Plasma receivables are classified as financial assets held at amortised cost under SFRS(I) 9. The accounting policy for financial instruments is set out in Note 2.15.

2.10 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Intangible assets (cont'd)

(c) *Research and development costs*

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Following initial recognition of the development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight line basis.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used, such as discounted cash flow method.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of ten years. For longer periods, a long term growth rate is calculated and applied to projected future cash flows after the tenth year.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each annual reporting period as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

(a) Joint operations

The Group recognises in relation to its interest in a joint operation,

- (i) its assets, including its share of any assets held jointly;
- (ii) its liabilities, including its share of any liabilities incurred jointly;
- (iii) its revenue from the sale of its share of the output arising from the joint operation;
- (iv) its share of the revenue from the sale of the output by the joint operation; and
- (v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

(b) Joint ventures

The Group recognises its interest in joint ventures as investments and account for the investments using the equity method. The accounting policy for investment in joint ventures is set out in Note 2.14.

2.14 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Joint ventures and associates (cont'd)

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expenses in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

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For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit and loss when the assets are derecognised or impaired, and through amortisation process.

The Group's financial assets at amortised cost includes trade receivables, other receivables and plasma receivables.

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income ("OCI"), except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss ("FVPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instruments that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investment in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

The Group elected to measure its available-for-sale unquoted equity at fair value in OCI. Any subsequent changes in fair value of the available-for-sale will be recognised to other comprehensive income without recycling to profit or loss. Equity instruments measured at FVOCI are not subject to impairment assessment.

For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.16 Impairment of financial assets

The Group recognises an allowance for ECL for all debt instruments not held at FVPL and financial guarantee contracts. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale or collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECL. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Impairment of financial assets (cont'd)

The Group considers a financial asset is doubtful when contractual payments are 90 days past due, but exception shall apply to financial assets that relate to entities under common controls or covered by letter of credit or credit insurance. However, in certain cases, the Group may also consider a financial asset to be doubtful when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks, and short-term deposits with an original maturity of 3 months or less at the time of placements and are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Cash and cash equivalents carried in the consolidated balance sheet are classified and accounted for as financial assets held at amortised cost under SFRS(I) 9. The accounting policy for this category of financial assets is stated in Note 2.15.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted-average method.

Cost incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials, spare parts and factory supplies – purchase cost; and
- Finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of ECL determined in accordance with the policy set out in Note 2.16 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Certain subsidiaries in the Group have defined contribution retirement plans covering all of its qualified permanent employees. The Group's contributions to the funds are computed at 10.0% and 7.0% of the basic pensionable income for staff and non-staff employees, respectively. The related liability arising from the difference between the cumulative funding since the establishment of the program and the cumulative pension costs charged to the profit or loss during the same period is recognised as employee benefits liabilities in the consolidated balance sheet.

(b) Defined benefit plans

The Group also provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labour Law No.13/2003 (the "Labour Law"). The said additional provisions, which are unfunded, are estimated by actuarial calculations using the projected unit credit method.

The estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligations at the end of the reporting period.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Employee benefits (cont'd)

(b) Defined benefit plans (cont'd)

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability; and
- Re-measurements of the net defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time, which is determined by applying the discount rate to the net defined benefit liability. Net interest on the net defined benefit liability is recognised as expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. Re-measurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

2.23 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Leases (cont'd)

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25(c).

(c) Land use rights

Land leases are considered finance leases since the arrangements transfer the substantial risks and rewards incidental to ownership of the land. As such, land leases are presented as part of property, plant and equipment.

Included as part of the land leases are the costs associated with the legal transfer or renewal of land right title, such as legal fees, land survey and re-measurement fees, taxes and other related expenses.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term ranging from 10 to 44 years.

2.24 Assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.25 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue from sales arising from physical delivery of CPO, palm kernel ("PK"), palm-based products, edible oils and other agricultural products is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

Certain contracts with customers within the respective business segments provide cash incentives and rights of return for edible oils and fats products, volume discount for palm seeds and pricing change due to CPO quality. The amount of revenue recognised is based on the contractual price, net of volume discounts, good returns and adjustment for product quality.

The Group recognises volume discounts for palm seeds at the point of transaction and net against the revenue, while the cash incentives payable to customers are recognised when supporting documents have been received from customers.

The Group also recognises refunds due to expected returns or price adjustment for product quality as liabilities when it is highly probable that such claims will occur.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Revenue (cont'd)

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental and storage income

Rental and storage income is recognised on a straight-line basis over the lease terms on an ongoing basis. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) *Value-added tax ("VAT")*

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.29 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights relating to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the Consolidated balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Provision for ECL of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in Note 34(d).

The carrying amount of trade receivables as at 31 December 2018 is Rp1,282.6 billion (2017: Rp1,073.9 billion).

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.1 Judgements made in applying accounting policies (cont'd)

(b) Provision for ECL of plasma receivables

The ECL allowance is based on the credit losses expected to arise over the life of the asset (lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' ECL. The Group primarily determined a receivable from individual plasma project has significant increase in credit risk when the actual development cost per hectare is exceeding the agreed development cost per hectare as stated in the credit agreement between the cooperatives and the creditor.

The 12 months' ECL is the portion of lifetime ECL that represent the ECL which would possibly result from default events on a financial instrument within the 12 months after the reporting date.

The Group calculates ECL based on the expected cash shortfalls, discounted at an approximation of the original effective interest rate ("EIR"). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the Group expects to receive.

The Group measures the cash flows expected to receive from each plasma project based on the estimated revenues from the plasma plantations deducted with the costs of sales, principal and interest payments to the bank. The key inputs applied for this estimation are the selling price of the fresh fruit bunches ("FFB"), production yield for each planting year of the plasma plantations and inflation rate.

These provisions are re-evaluated and adjusted as additional information is received at each reporting date.

The gross carrying amount of the Group's plasma receivables before the provision of ECL and the adjustments of EIR amortisation as at 31 December 2018 is Rp1,847.7 billion (2017: Rp1,592.3 billion).

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Goodwill impairment

Application of acquisition method requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities acquired, including intangible assets. Certain business acquisitions of the Group have resulted in goodwill, which is not amortised but subject to impairment testing, and whenever circumstances indicate that the carrying amount of the cash-generating unit where the goodwill was allocated into may be impaired.

Determining the fair values of biological assets, property, plant and equipment, and other non-current assets of the acquirees at the date of business combination, requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial information. Future events could cause the Group to conclude that the assets are impaired. The preparation of estimated future cash flows involves significant estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to impairment charge in the future.

Impairment review is performed when certain impairment indication is present. In the case of goodwill, such assets are subject to annual impairment test and whenever there is an indication that such asset may be impaired. Management has to use its judgement in estimating the recoverable value.

The carrying amount of the Group's goodwill as at 31 December 2018 is Rp3,245.3 billion (2017: Rp3,245.8 billion). Further details are disclosed in Note 15.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Pension and employee benefits

The determination of the Group's obligations and cost for pension and employee benefits liabilities is dependent on its selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turnover rate, disability rate, retirement age and mortality rate. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income as and when they occur. While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experiences or significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense.

The carrying amount of the Group's employee benefits liabilities as at 31 December 2018 is Rp2,324.0 billion (2017: Rp2,361.3 billion). The key assumptions applied in the determination of pension and employee benefits liabilities including a sensitivity analysis, are disclosed and further explained in Note 28.

(c) Depreciation of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 44 years. These are common life expectancies applied in the industries where the Group conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Group's property, plant and equipment as at 31 December 2018 is disclosed in Note 14.

(d) Biological assets

The Group recognises its timber plantations and agriculture produce of bearer plants at fair value less costs to sell, which requires the use of accounting estimates and assumptions.

The Group adopts the income approach to measure the timber plantations and fair value of unharvested produce of bearer plants. The significant assumptions applied to determine the fair value of biological assets included the projected selling prices, production yields, discount rate, inflation rate and exchange rates. For the valuation of unharvested fruit bunches of oil palm and latex of rubber, the Group has applied the actual harvest data subsequent to year end to derive the fair value of unharvested produce of oil palm and rubber at year end. For the valuation of oil palm seeds, sugar cane and timber, the Group has applied discounted cash flow models to derive its fair value.

The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these agriculture produces would affect the Group's profit or loss and equity. The carrying amount of the Group's biological assets as at 31 December 2018 (under Non-current assets and Current assets) is Rp845.2 billion (2017: Rp850.1 billion). The key assumptions applied in the determination of fair value of biological assets including a sensitivity analysis, are disclosed and further explained in Note 13.

(e) Income tax

Significant judgement is involved in determining provision for income tax. Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income which requires future adjustments to tax income and expense already recorded. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected income tax issues based on estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax in the year in which such decision is made by the taxation authority. The carrying amount of the Group's tax payables as at 31 December 2018 is Rp27.7 billion (2017: Rp91.7 billion).

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(e) Income tax (cont'd)

Claims for tax refund

The management exercises judgement to record the amount of recoverable and refundable tax claims by the Tax Office based on the interpretations of current tax regulations. The carrying amount of the Group's claims for tax refund and tax assessments under appeal as of 31 December 2018 was Rp284.8 billion (2017: Rp126.7 billion). Further details are disclosed in Note 16.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that there will be sufficient taxable profit within the next 5 years against which the tax losses can be utilised. Significant management estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets as at 31 December 2018 is Rp1,125.0 billion (2017: Rp1,347.0 billion). Further details are disclosed in Note 17.

(f) Allowance for decline in market value of inventories and obsolescence of inventories

Allowance for decline in market value of inventories and obsolescence of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Group's inventories as at 31 December 2018 is Rp2,428.4 billion (2017: Rp2,204.5 billion). Further details are disclosed in Note 22.

4. REVENUE

Revenue represents the value arising from the sales of palm oil, rubber, sugar, edible oils, and other agricultural products. Revenue is recognised in accordance with the accounting policy disclosed in Note 2.25.

Revenue is disaggregated to Plantations and Edible Oils and Fats segment. The timing of transfer of goods is determined at a point in time. The Group does not have revenue that is recognised over time.

(a) Disaggregation of revenue

	Plantations		Edible Oils and Fats		Others/ eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Sales channel								
Third party	3,462,558	5,440,797	10,596,892	10,284,507	-	-	14,059,450	15,725,304
Inter-segment	5,121,957	4,696,763	12,018	28,842	(5,133,975)	(4,725,605)	-	-
	8,584,515	10,137,560	10,608,910	10,313,349	(5,133,975)	(4,725,605)	14,059,450	15,725,304

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4. REVENUE (CONT'D)

(a) Disaggregation of revenue (cont'd)

	Plantations		Edible Oils and Fats		Others/ eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Primary geographical markets								
Indonesia	8,471,816	9,977,705	8,973,690	9,109,602	(5,133,975)	(4,725,605)	12,311,531	14,361,702
Outside Indonesia	112,699	159,855	1,635,220	1,203,747	-	-	1,747,919	1,363,602
	8,584,515	10,137,560	10,608,910	10,313,349	(5,133,975)	(4,725,605)	14,059,450	15,725,304
Major product lines								
CPO	6,131,149	7,232,153	-	-	(5,002,331)	(4,579,932)	1,128,818	2,652,221
Palm kernel & related products	1,102,326	1,527,529	-	-	(119,626)	(116,831)	982,700	1,410,698
Edible oils and fats	-	-	10,608,910	10,313,349	(12,018)	(28,842)	10,596,892	10,284,507
Others	1,351,040	1,377,878	-	-	-	-	1,351,040	1,377,878
	8,584,515	10,137,560	10,608,910	10,313,349	(5,133,975)	(4,725,605)	14,059,450	15,725,304

During the financial years ended 31 December 2018 and 2017, the details of sales from customers with individual cumulative amount each exceeding 10% of the total consolidated sales are as follows:

	2018		2017	
	Rp million	% of Total Revenue	Rp million	% of Total Revenue
PT Indofood CBP Sukses Makmur Tbk ("PT ICBP")	1,676,038	12%	1,784,573	11%
PT Indomarco Adi Prima	1,548,848	11%	1,532,954	10%
Total	3,224,886	23%	3,317,527	21%

(b) Estimating variable consideration for sale of products

The amount of revenue recognised is based on the consideration that the Group received in exchange for transferring promised goods or services to the customers, net of the volume discounts, cash incentives and adjusted for expected returns and price adjustments arising from product quality.

The Group uses most likely method to arrive at the variable consideration for the sale of the products to predict the volume discounts and cash incentives. Management relies on historical experience with purchasing patterns of customers and current purchasing patterns in comparison to planned volumes to determine the most likely volume discounts. As for the cash incentives, the amount payable to customers are recognised when the supporting documents have been received from customers.

For product returns and price adjustments arising from product quality, the Group uses most likely method in estimating the variable consideration. Management considers its historical experience to develop an estimate of variable consideration for expected returns and adjustments arising from product quality. During the year, the expected returns and pricing adjustments were assessed to be immaterial and hence, no refund liabilities is recognised.

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For the financial year ended 31 December 2018

5. COST OF SALES

	Note	Group	
		2018 Rp million	2017 Rp million
Raw materials used		4,069,811	5,297,782
Harvesting, upkeep and cultivation costs		2,670,965	2,332,662
Manufacturing and other overhead expenses		3,916,054	3,450,222
Cost of inventories recognised as expenses	22	1,201,638	1,578,029
Changes in allowance for decline in market value and obsolescence of inventories	22	3,058	5,163
Total		11,861,526	12,663,858

6. OTHER OPERATING INCOME

	Group	
	2018 Rp million	2017 Rp million
Sundry sales of oil palm seedlings	2,688	3,777
Management fee income	6,990	10,168
Sale of green palm certificates	11,397	8,319
Rental income	4,547	4,871
Gain on disposal of property, plant and equipment	4,466	6,504
Sale of scraps	2,076	1,613
Sale of palm kernel shells	6,436	12,399
Others	39,346	34,672
Total	77,946	82,323

7. OTHER OPERATING EXPENSE

	Note	Group	
		2018 Rp million	2017 Rp million
Impairment loss of an available-for-sale asset		-	40,957
Provision for unrecoverable advances		-	38,952
EIR amortisation of financial assets		30,007	21,608
Write-off of property, plant and equipment		362	869
Amortisation of deferred charges		13,025	9,981
Changes in provision for assets dismantling costs	27	(2,142)	3,063
Others		40,626	36,559
Total		81,878	151,989

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8. PROFIT FROM OPERATIONS

The following items have been included in arriving at profit from operations:

	Note	Group	
		2018 Rp million	2017 Rp million
Depreciation of property, plant and equipment	14	1,426,764	1,366,683
Amortisation of other non-current assets		62,131	63,738
Employee benefits expense	28	3,362,216	3,129,471
Research and development costs		37,066	35,251
Operating lease rentals	31(b)	56,825	37,118
Audit fees:			
Auditors of the Company		2,088	1,906
Other auditors		15,677	12,910
Non-audit fees:			
Auditors of the Company		32	29
Other auditors		95	104

9. FINANCE INCOME

	Group	
	2018 Rp million	2017 Rp million
Interest on current accounts and short-term deposits	103,534	106,411
Others	665	1,094
Total	104,199	107,505

10. FINANCE EXPENSE

	Group	
	2018 Rp million	2017 Rp million
Interest expense on:		
– Bank loans	688,177	609,192
– Others	12,859	23,303
Bank charges	18,924	14,548
Total	719,960	647,043

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For the financial year ended 31 December 2018

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	2017
	Rp million	Rp million
Consolidated statement of comprehensive income:		
Current income tax		
– Current year income tax	371,029	587,110
– Adjustments in respect of previous years	20,865	22,042
	391,894	609,152
Deferred income tax (Note 17)		
– Current year deferred income tax	(270,957)	(273,834)
– Adjustments in respect of previous years	259,165	149,950
	(11,792)	(123,884)
Total	380,102	485,268

Charged to other comprehensive income

Deferred tax related to items recognised in other comprehensive income:

Re-measurement (gain)/loss of employee benefits liability	(57,076)	46,206
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Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	2017
	Rp million	Rp million
(Loss)/profit before tax as per consolidated statement of comprehensive income	(46,413)	1,138,153
Tax at the Singapore tax rate of 17% (2017: 17%)	(6,185)	169,831
Effect of tax rates in foreign jurisdictions	(9,655)	30,740
Income already subjected to final tax	(27,233)	(26,297)
Income not subject to taxation	(529)	(16,810)
Non-deductible expenses	143,674	155,812
Adjustments in respect of previous years	280,030	171,992
Income tax expense recognised in the consolidated statement of comprehensive income	380,102	485,268

For the financial years ended 31 December 2018 and 2017, the corporate tax rates for companies in Singapore and Indonesia were 17% and 25% respectively.

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For the financial year ended 31 December 2018

11. INCOME TAX EXPENSE (CONT'D)

A subsidiary in Indonesia applies 20% (2017: 20%) tax rate instead of the normal tax rate of 25% (2017: 25%) in computing its income tax expense for the reporting period due to its fulfilment to qualify for a reduced corporate income tax rate.

Adjustments in respect of previous years largely related to the under provision of corporate income tax in respect of previous years and provision/write-off of unutilised tax losses carried forward in which deferred tax assets were recognised.

12. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the (loss)/profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	As at 31 December 2018	As at 31 December 2017
	Rp million	Rp million
(Loss)/profit attributable to owners of the Company	(221,764)	447,314
	No. of shares	No. of shares
Weighted average number of ordinary shares for basic earnings per share computation*	1,395,904,530	1,395,904,530

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

There were no dilutive potential ordinary shares as at 31 December 2018 and 2017.

13. BIOLOGICAL ASSETS

Biological assets primarily comprise of timber plantations, and the unharvested agriculture produce of bearer plants. The carrying amount of the Group's biological assets as at 31 December 2018 is Rp845.2 billion (2017: Rp850.1 billion).

Fair values of biological assets

Biological assets under Non-current assets – Timber Plantations

For timber plantations, the Group appointed an independent valuer to determine the fair value of timber annually and any resultant gain or loss arising from the changes in fair values is recognised in the profit or loss. The independent valuer adopted the income approach for the fair valuation of timber using a discounted cash flow model. The cash flow models estimate the relevant future cash flows which are expected to be generated in the future and discounted to the present value by using a discount rate.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. BIOLOGICAL ASSETS (CONT'D)

The key assumptions applied are as follows:

- (i) Timber tree is available for harvest only once about 8 years after initial planting.
- (ii) Discount rate used represents the asset specific rate for the Group's timber plantations operations which are applied in the discounted future cash flows calculation.
- (iii) The projected selling price of logs over the projection period are based on actual domestic price of the produce which is extrapolated based on changes of plywood log price published by World Bank.

The movements for timber plantations are as follows:

	As at 31 December 2018	Group As at 31 December 2017
	Rp million	Rp million
Timber		
At fair value		
At 1 January	313,305	325,102
Additions	10,074	4,481
Decreases due to harvest	(1,035)	(3,994)
Gain/(loss) arising from changes in fair value of biological assets	6,156	(12,284)
At 31 December	328,500	313,305

Biological assets under Current assets – Agriculture produce of bearer plants

The Group adopted the income approach to measure the fair value of the unharvested agriculture produce of bearer plants which mainly comprise of FFB, oil palm seeds, latex and sugar cane. For the valuation of unharvested produce of oil palm and rubber, the Group has further applied the actual harvest data subsequent to year end to derive the fair value of unharvested produce of oil palm and rubber at year end.

The key assumptions applied on the fair value of FFB and latex are as follows:

- (i) Estimated volume of subsequent harvest as of reporting date.
- (ii) Selling price of FFB and latex based on the market price at year end.

The key assumptions applied on the fair value of sugarcane are as follows:

- (i) Cane tree is available for annual harvest for 12 months after initial planting, and subsequently up to 3 more annual harvests.
- (ii) Discount rate used represents the asset specific rate for the cane produce which is applied in the discounted future cash flows calculation.
- (iii) The projected selling price of sugar over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank, but not exceeding the highest retail price imposed by the Ministry of Trade of Indonesia.

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13. BIOLOGICAL ASSETS (CONT'D)

The key assumption applied on the fair value of oil palm seeds is as follow:

- (i) Estimated volume of 6 months subsequent harvest as at reporting date.
- (ii) Discount rate used represents the asset specific rate for the seed produce which is applied in the discounted future cash flows calculation.
- (iii) The projected selling price of palm seeds over the projection period are based on the extrapolation of historical selling prices.

The movements for agriculture produce of bearer plants, which comprise FFB, oil palm seeds, latex and sugar cane are as follows:

	As at 31 December 2018 Rp million	Group As at 31 December 2017 Rp million
At fair value		
At 1 January	536,821	464,722
Additions	207,282	211,807
Decreases due to harvest	(190,409)	(186,831)
	553,694	489,698
(Loss)/gain arising from changes in fair value of biological assets	(37,038)	47,123
At 31 December	516,656	536,821

Key inputs to valuation on biological assets

The fair values of the oil palm and rubber agricultural produce are determined at Level 2 based on the applicable market price applied to the estimated volume of the produce.

Range of quantitative unobservable inputs (Level 3) used in determining the fair values of the biological assets are as follows:

Inputs	Sugar cane	Oil palm seeds	Timber
Discount rate	12.60% (2017:13.48%)	12.46%	12.78% (2017: 11.98%)
Selling price of processed agriculture produce	Rp634,273/tonne (2017: Rp578,370/tonne)	Rp8,640/pieces	Rp542,053 to Rp2,086,101/m ³ (2017:Rp489,486 to Rp1,429,571/m ³)
Average production yield of agriculture produce	63 tonnes/hectare (2017: 65 tonnes/hectare)	1,059 pieces/bunch	91 m ³ /hectare (2017: 112 m ³ /hectare)
Exchange rate	Rp15,000/US\$1 (2017: Rp13,400/US\$1)	-	Rp14,200 to Rp15,000/US\$1 (2017: Rp13,400 to Rp13,700/US\$1)
Inflation rate	3.50% (2017: 3.50%)	-	3.00% – 3.50% (2017:3.50%)

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13. BIOLOGICAL ASSETS (CONT'D)

The narrative sensitivity analysis of unobservable inputs (Level 3) used in determining the fair values of the biological assets are as follows:

Inputs (Hierarchy)	Sensitivity of the inputs to the fair value
Selling price of processed agriculture produce	An increase/(decrease) in the commodity prices would result in an increase/(decrease) in the fair value of biological assets.
Production yield	An increase/(decrease) in production yields would result in an increase/(decrease) in the fair value of biological assets.
Exchange rate	An increase/(decrease) in the exchange rate would result in an increase/(decrease) in the fair value of biological assets.
Inflation rate	An increase/(decrease) in the inflation rate would result in a (decrease)/increase in the fair value of biological assets.

Areas of the Group's biological assets:

The Group has timber plantation concession rights of 72,875 hectares (2017: 72,875 hectares) which are valid until 2035 and 2049. The total area of planted timber plantations as of 31 December 2018 is 16,135 hectares (2017: 16,357 hectares) (unaudited).

Physical quantities of agriculture produce:

Agriculture produce harvested during the financial year	Bearer plants from which produce harvested	Unit of measurement	2018 (unaudited)	2017 (unaudited)
FFB	Oil palm	'000 tonnes	3,375	3,109
Oil palm seeds	Mother palm	in million	13.7	15.5
Latex	Rubber	'000 tonnes	10	11
Sugar cane	Cane	'000 tonnes	649	639

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14. PROPERTY, PLANT AND EQUIPMENT

	Land use rights Rp million	Bearer plants Rp million	Buildings and improvements Rp million	Plant and machinery Rp million	Heavy equipment, transportation equipment and vessels Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Group							
Cost							
At 31 December 2016 and 1 January 2017	2,624,109	13,972,568	7,125,274	5,366,847	1,929,469	381,630	31,399,897
Additions	32,050	733,867	213,296	236,637	84,174	18,234	1,318,258
Reclassification	(81,432) ⁽¹⁾	(52,338)	(77,422)	72,993	4,490	(44)	(133,753)
Disposals and write-off	-	(17,985)	(3,233)	(3,945)	(7,275)	(622)	(33,060)
At 31 December 2017 and 1 January 2018	2,574,727	14,636,112	7,257,915	5,672,532	2,010,858	399,198	32,551,342
Additions	81,258	816,019	319,984	164,067	128,461	22,935	1,532,724
Reclassification	4,611	(43,685)	(10,279)	8,561	416	1,287	(39,089)
Disposals and write-off	-	(27,834)	(2,005)	(6,846)	(11,697)	(4,421)	(52,803)
At 31 December 2018	2,660,596	15,380,612	7,565,615	5,838,314	2,128,038	418,999	33,992,174
Accumulated depreciation							
At 31 December 2016 and 1 January 2017	705,575	3,827,384	1,637,960	2,337,713	1,189,548	304,921	10,003,101
Depreciation charge for the year	73,011	452,880	352,421	307,493	144,113	36,765	1,366,683
Reclassification	(39,637) ⁽¹⁾	-	14,135	29,684	14,160	284	18,626
Disposals and write-off	-	(3,249)	(1,637)	(3,591)	(6,407)	(583)	(15,467)
At 31 December 2017 and 1 January 2018	738,949	4,277,015	2,002,879	2,671,299	1,341,414	341,387	11,372,943
Depreciation charge for the year	71,972	474,767	366,564	338,901	145,397	29,163	1,426,764
Reclassification	-	-	1,785	4,971	2,065	27	8,848
Disposals and write-off	-	(6,234)	(1,277)	(11,897)	(6,032)	(4,359)	(29,799)
At 31 December 2018	810,921	4,745,548	2,369,951	3,003,274	1,482,844	366,218	12,778,756
Net carrying amount							
At 31 December 2017	1,835,778	10,359,097	5,255,036	3,001,233	669,444	57,811	21,178,399
At 31 December 2018	1,849,675	10,635,064	5,195,664	2,835,040	645,194	52,781	21,213,418

Vessels are presented within the class of Heavy equipment and transportation equipment due to its similar nature of use, which is for the transportation of the Group's commodities.

⁽¹⁾ Reclassification to "Asset held for Sale" account in the balance sheet amounting to Rp41.8 billion.

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14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Buildings and improvements Rp million	Furniture, fixtures and office equipment Rp million	Total Rp million
Company			
Cost			
At 1 January 2017	74,049	572	74,621
Additions	–	69	69
Write-off	–	(157)	(157)
At 31 December 2017 and 1 January 2018	74,049	484	74,533
Additions	61	31	92
At 31 December 2018	74,110	515	74,625
Accumulated depreciation			
At 1 January 2017	30,507	538	31,045
Depreciation charge for the year	3,629	28	3,657
Write-off	–	(155)	(155)
At 31 December 2017 and 1 January 2018	34,136	411	34,547
Depreciation charge for the year	3,638	40	3,678
At 31 December 2018	37,774	451	38,225
Net carrying amount			
At 31 December 2017	39,913	73	39,986
At 31 December 2018	36,336	64	36,400

Assets under construction

Property, plant and equipment of the Group as at 31 December 2018 included immature bearer plants in the course of cultivation, and building and machinery in the course of construction amounting to Rp4,089.0 billion [2017: Rp4,067.6 billion].

Bearer plants

The Group's bearer plants comprise mainly oil palm, rubber and sugar cane plantations.

Asset held for sale

On 21 December 2017, a subsidiary, Lonsum entered into a Sale and Purchase Agreement with an entity under common control, PT ICBP for the sale of a parcel of its land with an area approximately of 125 hectares at the Province of Banten. This parcel of land was classified as "Asset held for sale" considering that the sale process has not been completed as of 31 December 2017.

In January 2018, Lonsum received cash advances from PT ICBP amounting to Rp40 billion. This transaction is still in progress due to the administrative procedures with the authority that is beyond Lonsum's control. The disposal process is therefore extended.

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14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Fully depreciated assets still in use

As at 31 December 2018, the cost of the Group's property, plant and equipment that have been fully depreciated but still in use amounting to Rp2,177.0 billion (2017: Rp1,749.3 billion), which mainly comprise of bearer plants, buildings and improvements, plant and machinery, heavy equipment and transportation equipment.

Capitalisation of borrowing costs

During the year ended 31 December 2018, borrowing costs capitalised by certain subsidiaries to their immature bearer plants under cultivation, and building and machineries under constructions amounted to Rp98.2 billion (2017: Rp109.3 billion) based on capitalisation rates ranging from 4.41% to 9.17% (2017: 5.30% to 9.80%).

Assets under finance lease

Land use rights

The Group has land use rights with terms ranging from 10 to 44 years which will expire between 2018 to 2051. The cost incurred in obtaining the land use rights are depreciated in a manner that reflects the benefits to be derived from them. Based on past experience, management believes that these land use rights can be renewed/extended upon expiration.

The Group's bearer plants are planted and managed on the area which have obtained Rights to Cultivate (Hak Guna Usaha or the HGU), or have obtained location permits and in the process of obtaining HGU.

The net carrying amount of land use rights to be amortised at the end of the reporting period is as follows:

	2018 Rp million	Group 2017 Rp million	1 Jan 2017 Rp million
Amount to be amortised			
- Not later than one year	57,496	61,941	69,371
- Later than one year but not later than five years	220,053	239,050	277,326
- Later than five years	1,572,126	1,534,787	1,571,837
	<u>1,849,675</u>	<u>1,835,778</u>	<u>1,918,534</u>

Assets under insurance coverage

As at 31 December 2018, the fixed assets are covered by insurance against losses from fire and other risks under a policy package with combined coverage amounting to about Rp15.2 billion, US\$16.6 million and S\$7.8 million.

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15. GOODWILL

	Group	
	2018	2017
	Rp million	Rp million
At 1 January	3,245,837	3,253,637
Impairment of goodwill	(520)	(7,800)
At 31 December	3,245,317	3,245,837
<p>Goodwill arising from business combination was allocated to the following cash-generating units ("CGU") for impairment testing:</p>		
Integrated plantation estates of Lonsum	2,909,757	2,909,757
Plantation estates of PT GS	8,055	8,055
Plantation estates of PT MPI	2,395	2,395
Plantation estates of PT SBN	234	234
Plantation estates of PT KGP	29,140	29,140
Integrated plantation estates of PT CNIS	7,712	7,712
Plantation estates of PT LPI	37,230	37,230
Plantation estates and research facility of PT SAIN	113,936	113,936
Plantation estates of PT RAP	3,388	3,388
Plantation estates of PT JS	1,533	1,533
Integrated plantation estates of PT MISP	34,087	34,087
Plantation estates of PT IBP	-	520
Plantation estates of PT SAL	86,996	86,996
Plantation estates of PT WKL	4,750	4,750
Plantation estates of PT MLI	6,104	6,104
Total	3,245,317	3,245,837

Goodwill was tested for impairment as at 31 October 2018 and 2017. As at 31 December 2018 and, there was no significant change in the assumptions used by management that could have significant impact in determining the recoverable value of the goodwill.

No impairment loss was recognised as at 31 October 2018 and 2017 as the recoverable amounts of the goodwill were in excess of their respective carrying values, except as disclosed in the following paragraph.

As of 31 October 2018 and 2017, CGU of PT IBP, which is a part of Plantations Segment, was impaired by Rp0.5 billion and Rp7.8 billion respectively as the recoverable amount of the CGU was lower than the carrying amount.

The summary of impairment testing on the goodwill is disclosed in the succeeding paragraphs. Except for goodwill allocated to the plantation estates of Lonsum, PT LPI and PT SBN, the recoverable value of the goodwill allocated to all other plantation estates as at 31 October 2018 was determined based on fair value less costs of disposal ("FVLCD"), using discounted cash flow method. The FVLCD derived is categorised under Level 3 of the fair value hierarchy.

The recoverable value of the goodwill allocated to the plantation estates of Lonsum, PT LPI and PT SBN has been determined based on value-in-use calculations.

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15. GOODWILL (CONT'D)

The following key assumptions had been used:

	Carrying amount of goodwill	Pre-tax discount rate		Growth rate after forecast period	
		31 October 2018	31 October 2017	31 October 2018	31 October 2017
Cash generating units					
Recoverable amount assessment based on value-in-use					
Integrated plantation estates of Lonsum	2,909,757	13.76%	15.03%	5.20%	5.40%
Plantation estates of PT LPI	37,230	13.37%	14.85%	5.20%	5.40%
Plantation estates of PT SBN	234	14.81%	15.52%	5.20%	5.40%
Sub-total	2,947,221				
Recoverable amount assessment based on FVLCD					
Plantation estates of PT GS	8,055	15.51%	16.44%	5.20%	5.40%
Plantation estates of PT MPI	2,395	15.28%	16.25%	5.20%	5.40%
Plantation estates of PT KGP	29,140	16.20%	17.75%	5.20%	5.40%
Integrated plantation estates of PT CNIS	7,712	15.09%	15.91%	5.20%	5.40%
Plantation estates and research facility of PT SAIN	113,936	15.27%	16.87%	5.20%	5.40%
Plantation estates of PT RAP	3,388	15.45%	16.15%	5.20%	5.40%
Plantation estates of PT JS	1,533	14.95%	15.71%	5.20%	5.40%
Integrated plantation estates of PT MISP	34,087	15.34%	16.33%	5.20%	5.40%
Plantation estates of PT SAL	86,996	12.36%	11.52%	5.20%	5.40%
Plantation estates of PT WKL	4,750	12.56%	12.11%	5.20%	5.40%
Plantation estates of PT MLI	6,104	13.66%	15.81%	5.20%	5.40%
Sub-total	298,096				
Grand total	3,245,317				

The recoverable value calculation of the CGU applied a discounted cash flow model based on cash flow projections covering a period of 10 years for plantation estates in early development stage and 5 years for established plantations.

The primary selling prices used in the cashflow model are projected prices of CPO, rubber, sugar and logs. The projected prices of the CPO are based on the World Bank forecasts for the projection period. The projected prices of rubber (RSS1 and other rubber products of the Group) over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank. The sugar prices used in the projection are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank, but not exceeding the highest retail price imposed by the Ministry of Trade of Indonesia. The projected prices of logs are based on the actual domestic price of the produce which are extrapolated based on changes of plywood log price published by the World Bank.

The cash flows beyond the projected periods are extrapolated using the estimated terminal growth rate indicated above. The terminal growth rate used does not exceed the long-term average growth rate in Indonesia. The discount rate applied to the cash flow projections is derived from the weighted average cost of capital of the respective CGUs.

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15. GOODWILL (CONT'D)

Changes to the assumptions used by the management to determine the recoverable value, in particular the CPO price, discount and terminal growth rates, can have significant impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amount of the goodwill for each of the CGU to materially exceed their respective recoverable value, except for the following CGU:

CGU	Reasonably possible changes on key assumptions that would cause the CGU starts to be impaired	Impairment loss	
		Further change in key assumptions	Further impairment loss to be recognised for the assigned change of key assumptions
Plantation estate of KGP	CPO price: 3.6% lower	0.1%	Rp 2.1 billion

Management believes that there were no indicators of impairment existed on the above-mentioned goodwill for the year ended 31 December 2018 that required the Group to perform impairment tests of goodwill other than the annual tests.

16. CLAIMS FOR TAX REFUND

Claims for tax refund represent (a) advance tax payment made by each entity within the Group which is creditable against their respective corporate income tax payable; and (b) tax assessments being appealed to the taxation authorities.

17. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	2018 Rp million	Group 2017 Rp million	1 Jan 2017 Rp million
Temporary tax differences:			
Property, plant and equipment	(982,639)	(992,693)	(997,443)
Biological assets	(173,184)	(178,673)	(145,073)
Withholding tax on unremitted interest	(7,942)	-	-
Withholding tax on undistributed profit of foreign subsidiaries	-	(15,051)	(15,819)
Adjustments of EIR amortisation of plasma receivables	106,574	103,070	97,372
Allowance for employees benefit expenses	25,261	29,730	40,862
Allowance for decline in market value and obsolescence of inventories	91,811	86,962	27,326
Provision for unrecoverable advance	14,677	14,677	4,939
Employee benefits liabilities	570,332	579,201	486,457
Deferred inter-company profits	31,230	76,886	68,887
Tax losses carry forward	826,291	857,564	823,883
Others	7,816	476	669
Total	510,227	562,149	392,060
Classified as:			
Deferred tax assets	1,125,003	1,346,976	1,240,194
Deferred tax liabilities	(614,776)	(784,827)	(848,134)

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17. DEFERRED TAX (CONT'D)

For purposes of presentation in the consolidated balance sheet, the asset or liability classification of the deferred tax effect of each of the above temporary differences is determined based on the net deferred tax position (net assets or net liabilities) on a per entity basis.

Deferred tax assets and liabilities cover the future tax consequences attributable to differences between the financial and tax reporting bases of assets and liabilities and the benefits of tax losses carry forward.

The Company recognised deferred tax liabilities of Rp7.9 billion during the financial year in respect of unremitted foreign interest income arising from cash at banks, short-term deposits and shareholder loan to its subsidiary.

Deferred tax income or expense recognised in consolidated statement of comprehensive income

	2018 Rp million	Group 2017 Rp million	1 Jan 2017 Rp million
Deferred income tax movements:			
Property, plant and equipment	(9,868)	(4,750)	(11,070)
Biological assets	(9,526)	33,600	113,293
Adjustments of EIR amortisation of plasma receivables	(3,504)	(5,698)	(1,774)
Write-back for allowance of decline in market value and obsolescence of inventories	(772)	(59,636)	(16,253)
Employee benefits liabilities	(48,208)	(46,539)	(57,286)
Deferred inter-company profits	45,656	(7,999)	(27,159)
Provision for employee benefits expense	4,469	11,132	3,196
Allowance for unrecoverable advances	-	(9,738)	(4,939)
Tax losses carry forward	31,273	(33,681)	206,817
Withholding tax on distributable profit of foreign subsidiaries	-	(768)	8,047
Others	(21,312)	193	129
Net deferred tax benefit reported in the consolidated statement of comprehensive income (Note 11)	(11,792)	(123,884)	213,001

Unrecognised tax losses

At the end of the reporting period, the Group has total tax losses amounting to Rp4,391.4 billion (2017: Rp4,503.3 billion) that are available for offset against future taxable profits for up to five years from the date the losses were incurred as the tax losses in Indonesia generally expire after 5 years. Deferred tax benefits of Rp270.8 billion (2017: Rp267.4 billion) attributable to Rp1,083.0 billion (2017: Rp1,069.7 billion) of these tax losses were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

The Group has not recognised a deferred tax liability of Rp659.0 billion (2017: Rp659.5 billion) as at 31 December 2018 in respect of undistributed profits of subsidiaries as the distribution is controlled and there is currently no intention for the profits to be remitted to Singapore.

Unrecognised temporary differences relating to unremitted foreign-sourced interest income

The Group has not recognised deferred tax liability of Rp109.5 billion (2017: Rp109.5 billion) as at 31 December 2018 in respect of unremitted foreign-sourced interest income as the Group has control over the remittance and this foreign-sourced interest income will be retained for future expansionary plans and capital injection in overseas markets and will not be remitted into Singapore in the foreseeable future. The potential deferred tax liabilities are before taking into account the foreign tax credit claim on the Indonesia withholding tax suffered by the Company on the interest income (if applicable).

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18. INVESTMENT IN SUBSIDIARY COMPANIES

	2018	Company 2017	1 Jan 2017
	Rp million	Rp million	Rp million
Shares, at cost	10,533,516	10,533,516	10,533,516
Issuance of shares for additional investment in a subsidiary	99,907	-	-
	10,633,423	10,533,516	10,533,516

The Group held less than 50% effective shareholdings in certain subsidiaries but owned, directly and indirectly, more than half of the voting power in these subsidiaries.

(a) Composition of the Group

The Group has the following investment in subsidiaries:

Name of subsidiaries	Country of incorporation	Effective percentage of equity held		Principal activities
		2018	2017	
Name (Abbreviated name)				
Held by the Company				
PT Salim Ivomas Pratama Tbk (PT SIMP) ²	Indonesia	73.46	73.46	Ownership of oil palm plantations, mills and production of cooking oil, margarine, shortening, and other related products
IFAR Brazil Pte. Ltd. ¹	Singapore	100.00	100.00	Investment holding
IndoAgri Brazil Participações Ltda*	Brazil	100.00	100.00	Investment holding
Held by PT Salim Ivomas Pratama Tbk				
IndoInternational Green Energy Resources Pte. Ltd. (IGER) ¹	Singapore	44.08	44.08	Investment holding
PT Indoagri Inti Plantation (PT IIP) ²	Indonesia	72.73	72.73	Investment holding, management services and transportation
Silveron Investments Limited (SIL) [*]	Mauritius	73.46	73.46	Investment holding
PT Kebun Mandiri Sejahtera (PT KMS) ³	Indonesia	71.89	71.89	Ownership of rubber and oil palm plantations
PT Manggala Batama Perdana (PT MBP) [*]	Indonesia	73.46	73.46	Non-operating
PT Sarana Inti Pratama (PT SAIN) ³	Indonesia	73.45	73.45	Investment, research, management and technical services, oil palm seed breeding, and ownership of oil palm plantations

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For the financial year ended 31 December 2018

18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Country of incorporation	Effective percentage of equity held		Principal activities
		2018	2017	
Held by PT Salim Ivomas Pratama Tbk (cont'd)				
PT Mentari Subur Abadi (PT MSA) ³	Indonesia	39.65	39.65	Investment and ownership of oil palm plantations
PT Mega Citra Perdana (PT MCP) ⁴	Indonesia	21.83	21.83	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) ³	Indonesia	43.20	42.67	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) ²	Indonesia	22.44	22.44	Ownership of sugar cane plantations and sugar mills/refineries
PT Mitra Inti Sejati Plantation (PT MISP) ³	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT PP London Sumatra Indonesia Tbk (Lonsum) ²	Indonesia	43.72	43.72	Business of breeding, planting, milling and selling of oil palm products, rubber and other crops
PT Cakra Alam Makmur (PT CAM) ³	Indonesia	73.46	73.46	Ownership of bulking facilities
PT Hijaupertiwi Indah Plantations (PT HPIP) ³	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Cangkul Bumisubur (PT CBS) ³	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Samudera Sejahtera Pratama (PT SSP) ³	Indonesia	73.46	73.46	Transportation service
PT Kebun Ganda Prima (PT KGP) ³	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT Riau Agrotama Plantation (PT RAP) ³	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill
PT Citra Kalbar Sarana (PT CKS) ³	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Jake Sarana (PT JS) ³	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Pelangi Inti Pertiwi (PT PIP) ³	Indonesia	73.46	73.46	Ownership of oil palm plantations
PT Mentari Pertiwi Makmur (PT MPM) ⁷	Indonesia	58.53	58.53	Investment holding
PT Citranusa Intisawit (PT CNIS) ³	Indonesia	73.46	73.46	Ownership of oil palm plantations and mill

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18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Country of incorporation	Effective percentage of equity held		Principal activities
		2018	2017	
Held by IndoInternational Green Energy Resources Pte. Ltd.				
PT Mentari Subur Abadi (PT MSA) ³	Indonesia	4.42	4.42	Investment and ownership of oil palm plantations and mill
PT Mega Citra Perdana (PT MCP) ⁴	Indonesia	22.25	22.25	Investment holding
PT Swadaya Bhakti Negaramas (PT SBN) ³	Indonesia	0.88	1.40	Ownership of oil palm plantations
PT Lajuperdana Indah (PT LPI) ²	Indonesia	22.72	22.72	Ownership of sugar cane plantations and sugar mills/refineries
Held by PT Indoagri Inti Plantation				
PT Gunung Mas Raya (PT GMR) ²	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Indriplant (PT IP) ²	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Serikat Putra (PT SP) ²	Indonesia	72.00	72.00	Ownership of oil palm plantations and mill
PT Cibaliung Tunggal Plantations (PT CTP) ²	Indonesia	72.00	72.00	Ownership of oil palm plantations
Held by PT Serikat Putra				
PT Intimegah Bestari Pertiwi (PT IBP) ²	Indonesia	72.01	72.01	Ownership of oil palm plantations
PT Kencana Subur Sejahtera (PT KSS) ⁸	Indonesia	72.01	72.01	Macronutrients mix fertilizer industry
PT Pratama Citra Gemilang (PT PCG) ⁸	Indonesia	72.01	72.01	Prefabrication industry
Held by Silveron Investments Limited				
Asian Synergies Limited (ASL) ³	British Virgin Islands	73.46	73.46	Investment holding
Held by PT Mentari Subur Abadi				
PT Agro Subur Permai (PT ASP) ³	Indonesia	44.07	44.07	Ownership of oil palm plantations

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18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Country of incorporation	Effective percentage of equity held		Principal activities
		2018	2017	
Held by PT Mega Citra Perdana				
PT Gunta Samba (PT GS) ⁴	Indonesia	44.07	44.07	Ownership of oil palm plantations and mill
PT Multi Pacific International (PT MPI) ⁴	Indonesia	44.08	44.08	Ownership of oil palm plantations and mill
Held by PT PP London Sumatra Indonesia Tbk				
PT Multi Agro Kencana Prima (PT MAKP) ⁵	Indonesia	43.71	43.71	Rubber mill and trading
Lonsum Singapore Pte. Ltd. (LSP) ⁶	Singapore	43.72	43.72	Trading and marketing
PT Tani Musi Persada (PT TMP) ⁵	Indonesia	43.68	43.68	Ownership of oil palm plantations
PT Sumatra Agri Sejahtera (PT SAS) ⁵	Indonesia	43.71	43.71	Ownership of oil palm plantations
PT Tani Andalas Sejahtera (PT TAS) ⁵	Indonesia	39.35	39.35	Ownership of oil palm plantations
Agri Investment Pte. Ltd. (AIPL) ⁶	Singapore	43.72	43.72	Investment holding
PT Wushan Hijau Lestari (PT WHL) ³	Indonesia	28.41	28.41	Agriculture, forestry, fishing and trading
Held by PT Mentari Pertiwi Makmur				
PT Sumalindo Alam Lestari (PT SAL) ⁷	Indonesia	58.64	58.53	Development of industrial timber plantations
Held by PT Sumalindo Alam Lestari and PT Mentari Pertiwi Makmur				
PT Wana Kaltim Lestari (PT WKL) ⁷	Indonesia	58.64	58.53	Development of industrial timber plantations
Held by Lonsum Singapore Pte. Ltd.				
Sumatra Bioscience Pte. Ltd. (SBPL) [*]	Singapore	43.72	43.72	Trading, marketing and research

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18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Country of incorporation	Effective percentage of equity held		Principal activities
		2018	2017	
Held by PT Lajuperdana Indah				
PT Madusari Lampung Indah (PT MLI) ⁸	Indonesia	45.16	45.16	Ownership of sugar cane plantations
Held by PT Wushan Hijau Lestari				
PT Perusahaan Perkebunan, Perindustrian dan Perdagangan Umum Pasir Luhur (PT PL) ³	Indonesia	28.41	28.41	Trading, agricultural, industrial and agency/ representative

* Not required to be audited in the country of incorporation

Audited by:

- 1 Ernst & Young LLP, Singapore
- 2 Purwanto, Sungkoro & Surja, Indonesia (member firm of Ernst & Young Global)
- 3 Kanaka Puradiredja, Suhartono, Indonesia
- 4 Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia (member firm of Grant Thornton International)
- 5 Aria Kanaka, Indonesia (member firm of Parker Randall)
- 6 Eisner Amper PAC, Singapore
- 7 Anwar, Sugiharto & Rekan, Indonesia
- 8 Jimmy Budhi & Rekan, Indonesia

(b) *Interest in a subsidiary with material non-controlling interest ("NCI")*

The Group has the following subsidiary that has NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest %	Profit allocated to NCI during the year Rp million	Accumulated NCI at the end of the year Rp million	Dividends paid to NCI Rp million
31 December 2018:					
PT SIMP	Indonesia	26.54	(174,931)	3,814,740	127,357
31 December 2017:					
PT SIMP	Indonesia	26.54	87,686	4,027,278	113,276

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18. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) **Summarised financial information about a subsidiary with material NCI**

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of the subsidiary with material non-controlling interests is as follows:

	PT SIMP ⁽¹⁾	
	As at 31 December 2018 Rp million	As at 31 December 2017 Rp million
Summarised balance sheet		
Current		
Assets	6,970,825	6,703,938
Liabilities	(7,865,954)	(6,282,923)
Net current (liabilities)/assets	(895,129)	421,015
Non-current		
Assets	28,606,920	28,191,303
Liabilities	(8,761,177)	(9,313,711)
Net non-current assets	19,845,743	18,877,592
Net assets	18,950,614	19,298,607
Summarised statement of comprehensive income		
Revenue	14,059,450	15,725,304
Profit before income tax	82,689	1,000,036
Income tax expense	(368,606)	(464,927)
(Loss)/profit after tax	(285,917)	535,109
Other comprehensive income	169,294	(138,057)
Total comprehensive income	(116,623)	397,052
Other summarised information		
Net cash flows from operations	999,802	1,828,562

⁽¹⁾ The financial information of PT SIMP is based on the International Financial Reporting Standards ("IFRS") consolidated financial statements of PT SIMP and its subsidiaries. The list of subsidiaries held under PT SIMP is disclosed in Note 18(a).

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19. INVESTMENT IN ASSOCIATE COMPANIES

The Group's investments in associate companies are summarised below:

	2018 Rp million	Group 2017 Rp million	1 Jan 2017 Rp million
<u>Associate companies which are strategic to the Group activities</u>			
FP Natural Resources Limited (FPNRL)	502,718	503,335	509,219
Asian Assets Management Pte Ltd (AAM)	743,702	743,951	487,244
PT Prima Sarana Mustika (PT PSM)	11,861	6,050	5,784
PT Indoagri Daitocacao (Daitocacao)	211,440	105,438	–
	1,469,721	1,358,774	1,002,247

	2018 Rp million	Group 2017 Rp million	1 Jan 2017 Rp million
Cost of investment, at cost	1,504,176	1,394,853	1,045,503
Cumulative share of results and other comprehensive income	(140,165)	(108,037)	(98,146)
Foreign currency translation	92,789	59,037	54,890
Gain from deemed disposal	12,921	12,921	–
	1,469,721	1,358,774	1,002,247

Name of associate	Country of incorporation	Effective percentage of equity held		Principal activities
		2018	2017	
Held by the Company				
FPNRL ⁽ⁱ⁾	British Virgin Islands	30.00	30.00	Investment holdings
Held by Lonsum				
AAM ⁽ⁱⁱ⁾	Singapore	10.92*	10.92*	Investment holdings
Held by PT SIMP				
PT PSM ⁽ⁱⁱⁱ⁾	Indonesia	29.38	29.38	Construction services, rental of heavy equipment and trading of agriculture equipment
Daitocacao ^(iv)	Indonesia	36.00	36.00	Manufacture and marketing of chocolate for industrial use.

* The Group held less than 20% effective shareholdings in certain associates but owned, directly and indirectly, more than 20% shareholdings in these associates.

⁽ⁱ⁾ Audited by Ernst & Young (HK)

⁽ⁱⁱ⁾ Audited by Pinebridge LLP, Singapore

⁽ⁱⁱⁱ⁾ Audited by Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia (member firm of Grant Thornton International)

^(iv) Audited by Purwanto, Sungkoro & Surja, Indonesia (member firm of Ernst & Young Global)

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19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

FPNRL

FPNRL is an investment holding company, incorporated in British Virgin Islands in July 2013. It is a 30%:70% joint venture between the Company and its ultimate holding company, First Pacific Company Limited. FPNRL in turn owns 62.9% (2017: 62.9%) in Roxas Holdings Inc ("RHI") and 100% (2017:100%) interest in First Coconut Manufacturing Inc. ("FCMI") respectively. RHI is engaged in processing of sugar cane for the production and marketing of sugar and ethanol in the Philippines.

AAM

In June 2015, Lonsum and a subsidiary of PT ISM, PT ICBP jointly invested 100% equity interest in AAM, whereby each entity subscribed for 56,700,000 of new shares representing 50.00% equity interest in AAM for S\$56.7 million (approximately Rp519.3 billion). AAM became a 50% associate company of Lonsum. AAM is a private limited company incorporated and domiciled in Singapore, which in turn owns 100% equity interest in PT Aston Inti Makmur, an Indonesian-incorporated company engages in the property business and operates an office building.

In March 2016, AAM reduced its capital by S\$6.6 million (approximately Rp61.9 billion) and returned the funds to Lonsum and PT ICBP in proportion to their 50%:50% shareholdings in AAM.

In May and July 2017, Lonsum, PT ICBP and its parent company, PT ISM injected additional capital in AAM, in which Lonsum's capital contribution was S\$25.1 million (approximately Rp244.8 billion). Post this capital injections, AAM is 24.98%, 50.00% and 25.02% owned by Lonsum, PT ICBP and PT ISM respectively. As Lonsum's shareholding was diluted from 50.00% to 24.98%, it recorded a gain on deemed disposal of AAM of Rp12.9 billion in equity. The carrying value of the investment in AAM as at 31 December 2018 is Rp743.7 billion (2017: Rp744.0 billion).

Daitocacao

On 7 February 2017, PT SIMP and Daitocacao Co. Ltd. in Japan entered into an Agreement, to establish a 49%:51% entity, Daitocacao under the laws of Indonesia. The Company made the first and second capital contributions on 5 April 2017 and 8 June 2018 respectively with the total amount of Rp209.0 billion (approximately US\$15.7 million). Daitocacao is still in its development stage at year end.

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19. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

The summarised financial information in respect of FPNRL, AAM and Daitocacao, based on its respective local financial reporting standards which closely aligned with SFRS(I) and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	FPNRL			AAM			Daitocacao	
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017	2018	2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Current assets	3,884,861	1,863,162	1,769,011	1,468,601	140,702	92,153	93,431	98,796
Non-current assets	3,577,806	5,135,098	5,094,206	3,204,268	3,228,653	954,899	360,731	119,016
Total assets	7,462,667	6,998,260	6,863,217	4,672,869	3,369,355	1,047,052	454,162	217,812
Current liabilities	4,605,190	2,670,812	2,111,736	14,147	5,810	6,571	22,676	2,656
Non-current liabilities	134,586	1,655,417	2,048,520	1,681,102	384,929	65,993	-	-
Total liabilities	4,739,776	4,326,229	4,160,256	1,695,249	390,739	72,564	22,676	2,656
Net assets	2,722,891	2,672,031	2,702,961	2,977,620	2,978,616	974,488	431,486	215,156
Proportion of the Group's ownership	30.00%	30.00%	30.00%	24.98%	24.98%	50.00%	49.00%	49.00%
Group's share of net assets	816,868	801,609	810,888	730,781	731,030	487,244	211,428	105,426
Foreign currency translation	(314,150)	(298,274)	(301,669)	-	-	-	12	12
Deemed disposal gain	-	-	-	12,921	12,921	-	-	-
Carrying amount of the investment	502,718	503,335	509,219	743,702	743,951	487,244	211,440	105,438

Summarised statement of comprehensive income

	FPNRL		AAM		Daitocacao	
	2018	2017	2018	2017	2018	2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Revenue	4,315,237	3,392,316	-	-	-	-
(Loss)/profit after tax	(10,132)	(43,741)	(1,924)	(3,873)	3,064	1,868
Other comprehensive income for the year	(82,568)	(3,310)	-	-	-	-

The aggregate information of the Group's cost of investments in associate companies that are not individually material are as follows:

	Group	
	2018	2017
	Rp million	Rp million
Share of profit after tax and other comprehensive income	1,061	50

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20. INVESTMENT IN JOINT VENTURES

The Group has two jointly-controlled entities, it owns 35% (2017: 50%) interest in Companhia Mineira de Açúcar e Alcool Participações (“CMAA”) and 50% (2017: nil) in Canápolis Holding S.A. (“Canápolis”). These two entities are held through the Company’s wholly-owned subsidiaries, IFAR Brazil Pte Ltd and IndoAgri Brazil Participações Ltda (“IndoAgri Brazil”).

Both Canápolis and CMAA are audited by Ernst & Young Brazil (Goiânia Office) (member firm of Ernst & Young Global).

Canápolis

In February 2018, IndoAgri Brazil and its joint venture partner, JF Investimentos S.A. (“JF”) jointly invested in Canápolis. Each partner contributed an initial capital of BRL 23.6 million (approximately US\$7.2 million). Following the capital injection by both parties, Canápolis will become a 50%:50% joint venture between IndoAgri Brazil and JF.

Canápolis was incorporated in November 2017. In December 2017, Canápolis acquired a sugar mill located in Minas Gerais, Brazil with an annual cane crushing capacity of 1.8 million tonnes and 6,048 hectares of land through a court auction process due to the bankruptcy of the previous owner. The acquisition price for the Assets is approximately BRL 137.8 million (approximately US\$42.0 million) to be paid in four installments, of which the final payment will be due in June 2019.

CMAA

In July 2018, the Company’s 50%:50% joint venture with Ápia SP Participações S.A (“JF Family”), CMAA entered into an arrangement with JFLIM Participações S/A (“JFLIM”), whereby JFLIM will transfer its 100%-owned subsidiary, Vale do Pontal Açúcar e Alcool Ltda (“UVP”) to CMAA. JFLIM is a 50%:50% joint venture between JF Family and Rio Grande Investment Pte. Ltd. (“Rio Grande”), a member of the Salim group. UVP operates a refinery factory located in Minas Gerais, Brazil with a total cane crushing capacity of 2.5 million tonnes per year.

In consideration for the transfer of UVP, CMAA issued new shares with a value of BRL 75.9 million (approximately US\$19.7 million) to the seller, JFLIM. Post the issuance of new shares, CMAA is 35% each owned by the Company and JF Family, and 30% by JFLIM.

The Group will continue to adopt equity accounting as CMAA is jointly controlled by these 3 shareholders through the contractual shareholder agreement. At CMAA Group, pooling of interest method is applied for business combination involving entity under common control. This is also consistent with the Group’s policy and therefore, book value is used in computing the deemed disposal gain/loss arising from the dilution instead of fair value. As a result, the Company recognised a loss of Rp87.0 billion on the dilution from 50% to 35% in Consolidated statement of comprehensive income.

	Group	
	Rp million	Rp million
Carrying amount of investment in joint ventures before the deemed disposal		747,825
Cost of deemed disposal of 15%	(224,348)	
Share of contribution from UVP at book value	161,098	
Reduction in carrying amount of investment in joint venture	(63,250)	(63,250)
Reclassification of CMAA’s OCI to profit or loss	(23,799)	
Loss on deemed disposal	(87,049)	
 Carrying amount of investment in joint ventures after the deemed disposal in July 2018		 684,575

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20. INVESTMENT IN JOINT VENTURES (CONT'D)

	2018 Rp million	Group 2017 Rp million	1 Jan 2017 Rp million
Cost of investment in joint ventures (including acquisition related costs)	978,598	878,614	878,614
Cumulative share of results and other comprehensive income of joint ventures	64,290	63,615	(65,109)
Loss on deemed disposal on investment in a joint venture	(87,049)	-	-
Foreign currency translation	(146,466)	(67,318)	(61,655)
Carrying value of investment in joint ventures	809,373	874,911	751,850

Summarised financial information in respect of CMAA based on its respective local financial reporting standards which closely aligned with SFRS(I), and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group			
	2018 Rp million	CMAA 2017 Rp million	1 Jan 2017 Rp million	Canápolis 2018 Rp million
Cash and cash equivalents	1,074,178	448,969	124,343	53,050
Other current assets	2,073,289	1,851,743	1,222,495	16,420
Current assets	3,147,467	2,300,712	1,346,838	69,470
Non-current assets	2,633,152	2,253,364	2,444,326	598,626
Total assets	5,780,619	4,554,076	3,791,164	668,096
Current liabilities	(2,086,951)	(1,921,090)	(2,104,562)	(141,324)
Total non-current liabilities	(2,511,963)	(1,793,397)	(1,084,013)	(378,518)
Total liabilities	(4,598,914)	(3,714,487)	(3,188,575)	(519,842)
Net assets	1,181,705	839,589	602,589	148,254
Proportion of the Group's ownership	35.0%	50.0%	50.0%	50.0%
Group's share of net assets	413,597	419,795	301,295	74,127
Acquisition costs capitalised	52,405	52,405	52,405	-
Goodwill on acquisition	298,336	298,336	298,336	-
Loss on deemed disposal on investment in a joint venture	(87,049)	-	-	-
Foreign currency translation	55,491	104,375	99,814	2,466
Carrying value of the investment	732,780	874,911	751,850	76,593

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20. INVESTMENT IN JOINT VENTURES (CONT'D)

Summarised statement of comprehensive income

	Group			
	CMAA 2018 Rp million	2017 Rp million	1 Jan 2017 Rp million	Canápotis 2018 Rp million
Revenue	2,968,531	2,672,835	2,352,246	(65)
Depreciation and amortisation	(275,868)	(312,187)	(318,124)	4
Interest income	1,062,862	756,755	456,818	38
Interest expense	(1,388,120)	(1,044,959)	(1,004,260)	(14,189)
Other operating expenses	(2,242,248)	(1,724,444)	(1,591,499)	(9,736)
Profit/(loss) before tax	125,157	348,000	(104,819)	(23,948)
Income tax benefit/(expense)	23,811	(56,035)	29,360	(5)
Profit/(loss) after tax	148,968	291,965	(75,459)	(23,953)
Other comprehensive income	44,764	35,069	(15,619)	-
Total comprehensive income	193,732	327,034	(91,078)	(23,953)

21. OTHER NON-CURRENT ASSETS

	Group			Company		
	2018 Rp million	2017 Rp million	1 Jan 2017 Rp million	2018 Rp million	2017 Rp million	1 Jan 2017 Rp million
Non-current:						
Non-financial assets						
Advances	219,583	169,239	308,133	-	-	-
Prepayments	3,495	9,796	10,829	-	-	-
Others	252,999	206,081	106,955	-	-	-
Total advances and prepayments	476,077	385,116	425,917	-	-	-
	Note	2018	Group	2018	Company	1 Jan 2017
		Rp million	2017	Rp million	2017	Rp million
			Rp million	Rp million	Rp million	Rp million
Financial assets						
Amount due from a subsidiary		-	-	-	1,150,000	730,000
Loans to employees		14,638	16,070	26,361	-	-
Available-for-sale financial asset	33(a)	16,311	19,439	60,027	-	-
Plasma receivables	31(a)	1,383,640	1,158,659	1,064,600	-	-
Deposits		18,635	15,319	23,674	10	10
Total other non-current receivables		1,433,224	1,209,487	1,174,662	1,150,010	730,010
Total other non-current assets		1,909,301	1,594,603	1,600,579	1,150,010	730,009

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21. OTHER NON-CURRENT ASSETS (CONT'D)

Amount due from a subsidiary

Amount due from a subsidiary of Rp800 billion is non-trade related, unsecured, bears interest at long-term commercial lending rates, repayable in November 2020. In June 2018, there is an additional credit facility of Rp350 billion to the same subsidiary which is repayable in July 2023. The amounts due from this subsidiary is to be settled in cash on the respective due dates.

Available-for-sale financial asset

Available-for-sale financial asset mainly relates to the unquoted equity investment in Heliae Technology Holdings, Inc. ("Heliae") owned by Agri Investment Pte. Ltd. ("AIPL"), a subsidiary of Lonsum. Heliae is a private entity engaged in technology and production solutions for the algae industry.

The fair value of available-for-sale financial asset is determined by using a discounted cash flow model. The Group recognised the fair value change of Rp3.3 billion (2017: impairment loss of Rp41.0 billion in profit or loss) in other comprehensive income without recycling to profit or loss.

Advances and deposits

Advances and deposits mainly relate to utility and rental deposits, advance payments for land and payments made to suppliers and contractors in relation to the purchases of capital equipment and services.

Loans to employees

The Group provides non-interest bearing loans to officers and employees subject to certain terms and criteria. Such loans, which are being collected through monthly salary deductions over five years, from the date of the loan, are carried at amortised cost using effective interest method, with discount rate of 7.97% (2017: 5.98%) per annum.

22. INVENTORIES

	2018 Rp million	Group 2017 Rp million	1 Jan 2017 Rp million
Balance sheet:			
Raw materials	816,486	828,065	694,957
Finished goods	1,118,706	941,141	1,164,560
Spare parts and factory supplies	493,173	435,343	411,232
Total inventories at the lower of cost and net realisable value	<u>2,428,365</u>	<u>2,204,549</u>	<u>2,270,749</u>

	Note	Group 2018 Rp million	Group 2017 Rp million
Consolidated statement of comprehensive income:			
Inventories recognised as an expense in cost of sales, net	5	1,201,638	1,578,029
Inclusive of the following charges:			
- Allowance for decline in market value and obsolescence of inventories		11,142	8,732
- Reversal of decline in market value and obsolescence of inventories		<u>(8,084)</u>	<u>(3,569)</u>
	5	<u>3,058</u>	<u>5,163</u>

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23. RECEIVABLES

	Note	Group			Company		
		2018 Rp million	2017 Rp million	1 Jan 2017 Rp million	2018 Rp million	2017 Rp million	1 Jan 2017 Rp million
Current:							
Financial assets							
<u>Trade receivables</u>							
Third parties		700,189	502,589	506,916	-	-	-
Related parties		582,406	571,323	505,154	-	-	-
Provision for impairment of trade receivables		-	(53)	(53)	-	-	-
<u>Other receivables</u>							
Plasma receivables	31(a)	18,444	17,486	14,412	-	-	-
Loans to employees		6,031	7,481	8,637	-	-	-
Subsidiary companies		-	-	-	92,939	73,965	75,712
Related parties		2,449	2,110	1,568	-	-	-
Tax recoverable		-	-	12,516	-	-	-
Others		85,952	99,468	73,624	485	2,207	2,430
Total trade and other receivables		1,395,471	1,200,404	1,122,774	93,424	76,172	78,142
Non-financial assets							
<u>Advances and prepayments</u>							
Advances to suppliers		169,903	169,060	220,522	-	-	-
Prepayments		11,749	19,270	19,693	169	228	197
Total advances and prepayments		181,652	188,330	240,215	169	228	197
Total receivables		1,577,123	1,388,734	1,362,989	93,593	76,400	78,339

Trade receivables are unsecured, non-interest bearing and are generally on 1 to 35 days' terms. All trade receivables will be settled in cash. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's trade receivables relate to a large number of diversified customers, there is no concentration of credit risk.

Other receivables from third parties are mainly consist of interest receivables from time deposits and current portion of loans to employees and plasma receivables. They are non-interest bearing and unsecured.

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23. RECEIVABLES (CONT'D)

Other receivables from related parties and receivables from subsidiary companies are unsecured, interest-free and are generally settled within the next 12 months in cash.

The management believes that the allowance for impairment of other receivables is sufficient to cover losses from impairment of such receivables.

The Group and Company's receivables denominated in foreign currencies are as follows:

	2018	Group 2017	1 Jan 2017	2018	Company 2017	1 Jan 2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
US Dollars	181,008	95,650	57,741	70,935	67,153	65,359
Others	246	457	715	1,474	1,339	4,560

Receivables that are past due but not impaired

The Group has trade receivables amounting to Rp417.8 billion (2017: Rp417.4 billion) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period are as follows:

	2018	Group 2017	1 Jan 2017
	Rp million	Rp million	Rp million
Overdue but not impaired:			
1 – 30 days	263,123	283,725	272,779
31 – 60 days	65,080	69,447	17,243
61 – 90 days	27,068	31,837	13,111
More than 90 days	62,523	32,387	35,038
	417,794	417,396	338,171

Advances to suppliers

Advances to suppliers represent advance payments to suppliers and contractors in relation to the following purchases:

	2018	Group 2017	1 Jan 2017
	Rp million	Rp million	Rp million
Raw materials	61,094	65,681	173,108
Factory supplies, spare parts and others	108,809	103,379	47,414
	169,903	169,060	220,522

Advances to suppliers are unsecured, interest-free and obligations of the suppliers are expected to be fulfilled within the next 12 months.

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24. CASH AND CASH EQUIVALENTS

	2018	Group	1 Jan 2017	2018	Company	1 Jan 2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Cash at bank and in hand	564,340	874,904	756,456	7,567	81,481	4,927
Short term deposits	1,664,529	2,054,770	1,648,382	145,978	582,786	527,969
Cash and cash equivalents	2,228,869	2,929,674	2,404,838	153,545	664,267	532,896

Cash and cash equivalents denominated in foreign currencies are as follows:

	2018	Group	1 Jan 2017	2018	Company	1 Jan 2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
US Dollars	461,590	722,576	414,941	1,973	228,717	1,432
Singapore Dollars	5,737	9,223	2,723	5,156	8,377	2,078
Others	7,981	3,789	2,903	-	-	-

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods ranging from one day to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Short term deposits denominated in US dollars and Rupiah earned interest at annual rates between 1.50% to 3.25% (2017: 1.00% to 2.10%) per annum and 4.00% to 8.50% (2017: 4.00% to 8.75%) per annum, respectively.

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25. PAYABLES

	2018	Group 2017	1 Jan2017	2018	Company 2017	1 Jan2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Current						
Financial liabilities						
<u>Trade payables</u>						
Third parties	827,669	587,172	570,760	-	-	-
Related parties	54,021	34,377	26,218	-	-	-
<u>Other payables and accruals</u>						
Other payables						
Third parties	299,913	356,121	284,292	87	315	451
Due to a parent company	61,331	66,692	39,048	-	-	-
Related parties	104,921	113,605	7,970	92,678	86,707	-
Accrued operating expenses	462,378	473,047	571,428	22,031	17,717	14,392
Total trade and other payables and accruals	1,810,233	1,631,014	1,499,716	114,796	104,739	14,843
Non-financial liabilities						
Advances from customers	181,100	143,062	426,469	-	-	-
Taxes payable	53,599	51,641	27,203	-	-	-
Total advances and other payables	234,699	194,703	453,672	-	-	-
Total payables	2,044,932	1,825,717	1,953,388	114,796	104,739	14,843

Trade payables are normally settled on 1 to 60 days credit payment terms. These amounts are unsecured and will be settled in cash. The carrying amounts of the Group's trade payables, other payables and accruals approximate their fair values.

Other payables to a parent company and other payables to related parties are unsecured, repayable on demand and non-interest bearing. These amounts will be settled in cash.

Accrual of operating expenses are mainly for employees' salaries, benefits and bonuses, interest charges, purchases of FFB, and transportation fees.

Advances from customers represent advance payments relating to future sales of finished goods. These advances are trade in nature, unsecured, interest-free, and the obligations to the customers are expected to be fulfilled within the next 12 months.

The Group and Company's payables denominated in foreign currencies are as follows:

	2018	Group 2017	1 Jan 2017	2018	Company 2017	1 Jan 2017
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
US Dollars	103,824	97,705	12,434	92,678	86,707	-
Euro	5,983	3,995	1,326	-	-	-
Singapore Dollars	23,918	20,863	19,692	22,118	18,032	14,843
Others	3,612	3,717	2,411	-	-	-

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26. INTEREST-BEARING LOANS AND BORROWINGS

Current loans and borrowings

Description of credit facilities	End of availability period	2018 Rp million	Amount 2017 Rp million	1 Jan 2017 Rp million
Rupiah Subsidiaries				
Unsecured facility from PT Bank Mandiri (Persero) Tbk	June 2019	2,177,000	1,250,000	900,000
Unsecured facility from PT Bank Central Asia Tbk	December 2018	1,165,000	745,000	325,000
Unsecured facilities from PT Bank Rabobank International Indonesia ¹⁾	July 2019	–	20,000	–
Unsecured facility from PT Bank DBS Indonesia	September 2019	415,000	250,000	–
Secured facilities from PT Bank Rabobank International Indonesia ^{1) 2)}	July 2019	157,600	157,600	157,600
Secured facility from PT Bank DBS Indonesia ²⁾	September 2019	425,000	680,000	700,000
Secured facilities from PT Bank Central Asia Tbk ²⁾	June 2019	542,000	354,000	103,000
Sub-total		<u>4,881,600</u>	<u>3,456,600</u>	<u>2,185,600</u>
US Dollar The Company				
<u>Loans for refinancing and investment</u>				
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	May 2019	1,085,351	–	–
Total short-term loans		5,966,951	3,456,600	2,185,600
Current portion of long-term loans		1,004,698	1,006,104	295,805
Total		<u>6,971,649</u>	<u>4,462,704</u>	<u>2,481,405</u>

1) These credit facilities are denominated in US Dollar currency but can be drawdown in Rupiah currency.

2) Corporate guarantee from PT SIMP in proportion to its equity ownership in the respective subsidiary.

Effective interest rates

The short-term loans denominated in Rupiah bear yearly interest rates ranging from 4.75% to 9.10% (2017: 4.75% to 9.25%) per annum for the year ended 31 December 2018. The short-term loans denominated in US Dollar bear interest rates ranging from 2.65% to 3.84% (2017: nil) per annum for the year ended 31 December 2018.

Covenants

The above-mentioned credit agreements obtained by the subsidiaries are subject to several negative covenants, include among others, to merge or consolidate with other entity; to change the Constitution; to reduce their share capital; making new investments and capital expenditures in excess of certain thresholds; to sell or dispose off significant portion of their assets used in the operations; as well as granting/obtaining credit facilities to/from other parties which would affect their ability to perform their obligation under the related credit agreements. The subsidiaries are also required to maintain certain financial ratios.

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26. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Compliance with loan covenants

As at 31 December 2018 and 2017, the Group has complied with all of the covenants of the above-mentioned short-term loans as stipulated in the respective loan agreements.

Non-current loans and borrowings

Description of credit facilities	Schedule of instalment and maturities	Amount		
		2018 Rp million	2017 Rp million	1 Jan 2017 Rp million
Rupiah				
Subsidiaries				
<u>Loans for working capital</u>				
Unsecured facility PT Bank Sumitomo Mitsui Indonesia	March 2019	-	300,000	-
<u>Loan for refinancing, investment and working capital</u>				
Secured facility from PT Rabobank International Indonesia ¹⁾	-	-	-	50,000
Unsecured facility from PT Bank Permata Tbk	-	-	2,295	7,201
Secured facility from PT Bank Sumitomo Mitsui Indonesia ¹⁾	March 2019	700,000	700,000	700,000
Secured facilities from PT Bank Central Asia Tbk ¹⁾	Quarterly until August 2028	4,567,928	4,125,182	4,434,187
Secured facility from PT Bank Rakyat Indonesia (Persero) Tbk	-	-	3,746 ²⁾	9,746
Sub-total		5,267,928	5,131,223	5,201,134
US Dollar				
The Company				
<u>Loans for refinancing and investment</u>				
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	May 2019	-	1,013,390	1,002,997
Subsidiaries				
<u>Loans for refinancing, investment and working capital</u>				
Unsecured facility from Sumitomo Mitsui Banking Corporation, Singapore	November 2019	-	677,400	1,343,600
Secured facility from PT Bank UOB Indonesia ¹⁾	Quarterly until November 2019	-	304,830	362,772
Sub-total		-	1,995,620	2,709,369
Total		5,267,928	7,126,843	7,910,503
Less deferred charges on bank loan		44,959	52,946	68,762
Less current portion		1,004,698	1,006,104	295,805
Total		4,218,271	6,067,793	7,545,936

1) Corporate guarantee from the PT SIMP in proportion to its equity ownership in the subsidiary.

2) This loan will be offset with the related plasma receivables when the plasma plantations are handed over to the plasma farmers.

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26. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Effective interest rates

The long-term loans denominated in Rupiah bear yearly interest rates ranging from 5.45% to 10.00% (2017: 5.25% to 10.00%) per annum for the year ended 31 December 2018. The long-term loans denominated in US Dollar bear interest rates ranging from 2.65% to 5.45% (2017: 2.13% to 4.47%) per annum for the year ended 31 December 2018.

Covenants

The above-mentioned credit agreements obtained by the Group provides for several negative covenants for the subsidiaries, include among others, to pledge their assets to other parties (except for the existing assets already pledged as at the credit agreement date); to lend money to unaffiliated parties; to merge or consolidate with other entity unless the subsidiaries will be the surviving legal entity; to change the current course of their businesses; to reduce their share capital; making new investments and capital expenditures in excess of certain threshold; to sell or dispose off significant portion of their assets used in the operations in excess of certain thresholds; to change their legal status; to pay dividends exceeding 50% of the previous year net profit; as well as to obtain credit facilities from other parties which would affect their ability to perform their obligation under the related credit agreements. The subsidiaries are also required to maintain certain financial ratios.

Compliance with loan covenants

As at 31 December 2018 and 2017, the Group has complied with all of the covenants of the above-mentioned short-term loans as stipulated in the respective loan agreements or obtained necessary waivers as required by respective loan agreement.

A reconciliation of liabilities arising from financing activities are as follows:

	31 December 2017 Rp million	Cash Flows Rp million	Non-cash changes			31 December 2018 Rp million
			Foreign exchange movement Rp million	Amortisation of deferred charges Rp million	Other Rp million	
Current:						
Interest-bearing loans and borrowings	4,462,704	418,896	-	-	2,090,049	6,971,649
Non-Current:						
Interest-bearing loans and borrowings	6,067,793	62,651	167,903	9,973	(2,090,049)	4,218,271
Total	10,530,497	481,547	167,903	9,973	-	11,189,920

	31 December 2016 Rp million	Cash Flows Rp million	Non-cash changes			31 December 2017 Rp million
			Foreign exchange movement Rp million	Amortisation of deferred charges Rp million	Other Rp million	
Current:						
Interest-bearing loans and borrowings	2,481,405	975,195	-	-	1,006,104	4,462,704
Non-Current:						
Interest-bearing loans and borrowings	7,545,936	(509,669)	21,814	15,816	(1,006,104)	6,067,793
Total	10,027,341	465,526	21,814	15,816	-	10,530,497

The "Other" column relates to reclassification of non-current portion to current due to passage of time and the reclassification to plasma receivables for temporary funding under plasma scheme.

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26. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

S\$500 million Euro Medium Term Note (the "MTN")

In September 2013, the Company established a 5-year S\$500 million Euro MTN Programme. Under the Programme, the Company may from time to time issue notes (the "Notes") in series or tranches. Each series or tranche of Notes may be issued in any currency, in various amounts and tenors, and may bear interest at a fixed, floating, variable or hybrid rates (as applicable), as agreed between the Company and the relevant dealer(s).

As at 31 December 2018 and 2017, the Company has not issued any Notes under the programme.

27. OTHER NON-CURRENT PAYABLES

	2018 Rp million	Group 2017 Rp million	1 Jan 2017 Rp million
Non-current:			
Financial liabilities			
Due to related parties	427,859	351,659	542,099
Others	–	12,447	27,680
Total amount due to related parties and other payables	<u>427,859</u>	<u>364,106</u>	<u>569,779</u>
Non-financial liabilities			
Provision for assets dismantling costs	32,007	34,149	31,086
Total other non-current payables	<u>459,866</u>	<u>398,255</u>	<u>600,865</u>

The amounts due to related parties represents loans provided to the subsidiaries by their non-controlling shareholders, which are not expected to be repaid within 3 years and unsecured.

Provision for assets dismantling costs

Provision for assets dismantling costs represents estimated liabilities for the costs to dismantle, remove and restore the sites of refinery, fractionation and margarine plants located in Jakarta and Surabaya, Indonesia. Gain/(loss) arising from changes in estimates of provision for asset dismantling costs are presented as part of "Other Operating Expense" accounts in the profit or loss, as shown in Note 7.

The movement in provision for assets dismantling costs is:

	Note	Group 2018 Rp million	Group 2017 Rp million
Balance at 1 January		34,149	31,086
Changes in present value due to the passage of time and discount rates	7	<u>(2,142)</u>	<u>3,063</u>
Balance at 31 December		<u>32,007</u>	<u>34,149</u>

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28. EMPLOYEE BENEFITS

Certain subsidiaries of the Group have defined benefit retirement plans covering substantially all of their qualified permanent employees.

The Group's contributions to the funds are computed at 10.0% and 7.0% of the basic pensionable income for staff and non-staff employees, respectively.

On top of the benefits provided under the above-mentioned defined benefit retirement plans, the Group has also recorded additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to the qualified employees, as required under the labor law in Indonesia. The amounts of such additional provisions were determined based on actuarial computations prepared by an independent firm of actuaries using the "Projected Unit Credit" method.

	Note	Group	
		2018 Rp million	2017 Rp million
<i>Employee benefits expenses (including directors):</i>			
Wages and salaries		2,949,302	2,692,291
Provision for employee benefits		329,318	349,017
Contribution to defined contribution pension plan		18,161	25,753
Training and education		65,435	62,410
	8	<u>3,362,216</u>	<u>3,129,471</u>

As at 31 December 2018, the balance of the related actuarial liability for employee benefits is presented as "Employee benefits liabilities" in the consolidated balance sheet.

Changes in the employee benefit obligations are as follows:

	Group	
	2018 Rp million	2017 Rp million
Benefit obligation at 1 January	2,361,278	1,980,219
Benefits paid	(137,327)	(152,779)
<i>Changes charged to profit or loss</i>		
Current service cost	175,716	180,104
Interest cost on benefit obligations	159,998	168,319
Net actuarial loss recognised during the year	(4,112)	3,430
Gains on curtailments and settlements	(3,294)	(2,836)
Sub-total	328,308	349,017
<i>Re-measurement (gain)/loss in other comprehensive income</i>		
Actuarial changes arising from changes in financial assumptions	(200,790)	201,688
Experience adjustments	(27,514)	(16,867)
Sub-total	(228,304)	184,821
Benefit obligation at 31 December	<u>2,323,955</u>	<u>2,361,278</u>

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28. EMPLOYEE BENEFITS (CONT'D)

The principal assumptions used in determining post-employment obligations for the Group's plan are as follows:

Annual discount rate	:	8.4% (2017: 6.7% and 6.9%)
Future annual salary increase	:	8.5% (2017: 8.0%)
Annual employee turnover rate	:	6.0% (2017: 6.0%) for employees under the age of 30 years and linearly decrease until 0% at the age of 52 years
Disability rate	:	10% (2017: 10%) from mortality rate
Retirement age	:	55 years old
Mortality rate reference	:	Indonesian Mortality Table ("IMT") 2011 (2017: IMT 2011)

Sensitivity analysis to the principal assumptions used in determining employee benefits obligations are as follows:

Assumptions	Quantitative sensitivity analysis	
	Increase/(decrease)	(Decrease)/increase in the net employee benefits liabilities Rp million
31 December 2018		
Annual discount rate	100/ (100) basis points	(177,001)/ 202,837
Future annual salary increase	100/ (100) basis points	208,889/ (184,592)
31 December 2017		
Annual discount rate	100/ (100) basis points	(193,332)/ 223,405
Future annual salary increase	100/ (100) basis points	227,565/ (199,711)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on employee benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the employee benefit plan obligation in future years:

	Group		
	2018 Rp million	2017 Rp million	1 Jan 2017 Rp million
Within the next 12 months	169,811	150,413	93,548
Between 1 and 2 years	158,758	133,857	170,630
Between 2 and 5 years	389,354	323,122	297,723
Beyond 5 years	20,483,958	16,585,217	16,518,745
Total expected payments	21,201,881	17,192,609	17,080,646

The average duration of the employee benefit plan obligation at the end of the reporting period is 11.7 years (2017: 11.8 years).

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29. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	2018		Group		2017	
	No. of shares	Rp million	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	1,447,782,830	3,584,279	1,447,782,830	3,584,279		

	2018		Company		2017	
	No. of shares	Rp million	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	1,447,782,830	10,912,411	1,447,782,830	10,912,411		

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction. The ordinary share has no par value.

(b) Treasury shares

	2018		Company		2017	
	No. of shares	Rp million	No. of shares	Rp million	No. of shares	Rp million
Balance as at 1 January/ 31 December	51,878,300	390,166	51,878,300	390,166		

Treasury shares relate to ordinary shares of the Company that is held by the Company.

30. RESERVES

(a) Revenue reserves

	Company	
	2018 Rp million	2017 Rp million
Retained earnings :		
Balance at 1 January	810,774	785,238
Dividends	(102,713)	(86,554)
Profit for the year	35,554	112,090
Balance at 31 December	743,615	810,774

(b) Other reserves

	Company	
	2018 Rp million	2017 Rp million
Balance at 1 January and 31 December	144,152	144,152

Other reserves:

Other reserve of the Company pertains to the gain on sale of treasury shares in the previous financial year.

Movement in the reserves of the Group are shown in the Consolidated statement of changes in equity.

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30. RESERVES (CONT'D)

(c) Dividends

	Company	
	2018	2017
	Rp million	Rp million
Declared and paid during year:		
Dividends on ordinary shares:		
– Final tax exempt (one-tier) dividend for 2017: 0.70 Singapore cents (2016: 0.65 Singapore cents) per share	102,713	86,554
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the forthcoming AGM:		
– Final tax exempt (one-tier) dividend for 2018: 0.25 Singapore cents (2017: 0.70 Singapore cents) per share	37,002	99,023

31. COMMITMENTS AND CONTINGENCIES

(a) Plasma receivables

The Indonesian government requires oil palm plantation companies to develop new plantations together with the local small landholders. This form of assistance to local small landholders is generally known as the "Plasma Scheme". Once developed, the plasma plantations are transferred to the small landholders who then operate the plasma plantations under the supervision of the developer. In line with this requirement, certain subsidiary companies of the Group have commitments to develop plantations under the Plasma Scheme. The funding for the development of the plantations under the Plasma Scheme is provided by the designated banks and/or by the subsidiary companies. This includes the subsidiary companies providing corporate guarantees for the loans advanced by the banks.

When the plasma plantations start to mature, the plasma farmers are obliged to sell all their harvests to the subsidiary companies and a portion of the resulting proceeds will be used to repay the loans from the banks or the subsidiary companies. In situations where the sales proceeds are insufficient to meet the repayment obligations to the banks, the subsidiary companies also provide temporary funding to the plasma farmers to develop the plasma plantations and to repay the instalment and interest payments to the banks. The plasma farmers will repay the temporary funding to the subsidiary companies once the plantations have positive cash flows.

The loans advanced by the banks under the Plasma Scheme are secured by the sales proceeds of FFB of the respective plasma plantations and corporate guarantees from certain subsidiary companies for a maximum amount of Rp695.0 billion (2017: Rp719.0 billion) as at 31 December 2018.

The Group recorded an allowance for uncollectible plasma receivables in its consolidated balance sheet amounting to Rp445.6 billion (2017: Rp416.2 billion). Based on a review of the plasma receivables of each project as at 31 December 2018, management believes that the above-mentioned allowance for uncollectible plasma receivables is sufficient to cover possible losses arising from the uncollectible plasma receivables.

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31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(a) Plasma receivables (cont'd)

An analysis of the movement in adjustments of EIR amortisation of plasma receivables are as follows:

	Group	
	2018	2017
	Rp million	Rp million
At 1 January	416,201	393,769
(Reversal)/charge for the year	(1,202)	437
Write-off	(756)	(384)
Adjustments of EIR amortisation	31,400	22,379
At 31 December	<u>445,643</u>	<u>416,201</u>

The accumulated development costs net of funds received are presented as Plasma receivables in the consolidated balance sheet and in the Plantations segment. An analysis of the movement in the plasma receivables are as follows:

	Note	Group	
		2018	2017
		Rp million	Rp million
Balance at 1 January		1,176,145	1,079,012
Adjustments of EIR amortisation		(30,198)	(22,816)
Additional net investment		256,137	135,183
Reclassifications		-	(15,234)
Balance at 31 December	21,23	<u>1,402,084</u>	<u>1,176,145</u>

(b) Operating lease commitments

As lessee

The Group has entered into commercial leases to lease land and buildings, equipment and transportation equipment. These non-cancellable operating leases have remaining lease terms from 1 to 3 years. Operating lease payments recognised in the statement of comprehensive income in 2018 amounted to Rp56.8 billion (2017: Rp37.1 billion).

Future minimum lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

	2018	2017	1 Jan 2017
	Rp million	Rp million	Rp million
Within one year	54,229	57,139	15,117
After one year but not more than five years	93,099	138,998	241
	<u>147,328</u>	<u>196,137</u>	<u>15,358</u>

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31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) Sales commitments

As at 31 December 2018, the Group has sales commitments to deliver the following products to local and overseas customers within one month after the reporting date:

	Unit of measurement	2018	2017	1 Jan 2017
Palm products	Tonnes	25,139	6,363	37,053
Rubber	Tonnes	1,633	544	1,143
Tea	Tonnes	30	79	137
Cocoa	Tonnes	38	37	129
Oil palm seeds	Unit	245,234	10,500	122,225
Seedlings	Unit	56,198	-	-

(d) Commitments for capital expenditures

As of 31 December 2018, capital expenditure contracted for but not recognised in the financial statements relating to purchase of property, plant and equipment as well as development of plantations amounting to Rp630 billion, US\$10,400 and RM2.0 million (2017: Rp347 billion, US\$3.4 million, and EUR 152,500).

(e) Contingent liabilities

As of 31 December 2018, there are no claims against the Group that are possible to cause material losses in the future.

32. RELATED PARTY TRANSACTIONS

In addition to those related party information disclosed elsewhere in the relevant notes to the consolidated financial information, the following transactions between the Group and related parties took place during the financial year at terms agreed between the parties during the financial year:

Nature of transactions	Year	A		
		shareholder of the Group Rp million	Related companies Rp million	Other related parties Rp million
Sales of goods	2018	583	3,429,707	1,724,271
	2017	1,207	3,533,385	1,462,725
Purchases of packaging materials	2018	-	139,242	-
	2017	-	116,139	-
Purchases of services, transportation equipment and spare parts	2018	-	7,859	70,512
	2017	-	8,306	61,363
Royalty fee expenses	2018	5,413	-	-
	2017	4,746	-	-
Pump services expenses	2018	-	-	7,416
	2017	-	-	8,901
Rental expenses	2018	-	-	61,646
	2017	-	-	57,847
Insurance expenses	2018	-	-	30,881
	2017	-	-	29,590
Other operating income	2018	-	6,409	-
	2017	-	2,123	-

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32. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel of the Group

	2018 Rp million	2017 Rp million
Salaries and short-term employee benefits	200,201	201,242
Termination benefits	33,959	40,275
Post-employment benefits	10,876	20,326
Total compensation paid to the key management personnel	245,036	261,843

33. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Group measures non-financial assets, such as biological assets, at fair value at each reporting date.

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table provides the fair value hierarchy of the Group's assets and liabilities in accordance with the level of inputs to valuation techniques used to measure fair value:

	Quoted prices in active markets for identical assets (Level 1) Rp million	Significant other observable inputs (Level 2) Rp million	Significant unobservable inputs (Level 3) Rp million
As at 31 December 2018			
<i>Recurring fair value measurements</i>			
Biological assets- timber plantations (Note 13)	-	-	328,500
Biological assets- agriculture produce (Note 13)	-	148,856	367,800
Available-for-sale financial asset at FVOCI (Note 21)	-	-	16,311
As at 31 December 2017			
<i>Recurring fair value measurements</i>			
Biological assets- timber plantations (Note 13)	-	-	313,305
Biological assets- agriculture produce (Note 13)	-	220,729	316,092
Available-for-sale financial asset at FVOCI (Note 21)	-	-	19,439

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33. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(a) Fair value hierarchy (cont'd)

	Quoted prices in active markets for identical assets (Level 1) Rp million	Significant other observable inputs (Level 2) Rp million	Significant unobservable inputs (Level 3) Rp million
As at 1 January 2016			
<i>Recurring fair value measurements</i>			
Biological assets- timber plantations (Note 13)	-	-	325,102
Biological assets- agriculture produce (Note 13)	-	217,837	246,885
Available-for-sale financial asset at FVOCI (Note 21)	-	-	60,027

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(b) Valuation policy

The Group's financial reporting team in charge of valuation ("Valuation Team") determines the policies and procedures for recurring fair value measurement, such as biological assets and fair value (less costs of disposal) of CGUs (for goodwill impairment test purpose).

External valuers are involved for valuation of significant assets. Involvement of external valuers is decided annually by the Valuation Team after discussion with and approval by the Group's executive directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Valuation Team decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use.

The Valuation Team, in conjunction with the Group's external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable. On an interim basis, the Valuation Team and the Group's external valuers present the valuation results to the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations as well as the integrity of the model and reasonableness of the key inputs.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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33. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) *Financial instruments carried at fair value or amortised cost*

Plasma receivables and long-term loans to employees are carried at amortised cost using the effective interest method and the discount rates used are the current market incremental lending rate for similar types of lending. The effective yearly interest rates were ranging from 7.97% to 10.71% (2017: 5.98% to 12.00%) per annum for the year ended 31 December 2018.

The fair value of available-for-sale financial asset was estimated using income approach based on discounted cash flows of Heliae for five years plus terminal value after the forecast period.

The significance of the unobservable inputs used in the fair value measurement of available-for-sale financial asset is categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2018 and 2017 are as shown below:

Unobservable Inputs	Quantitative Inputs	Sensitivity Analysis	
		Sensitivity Used	Effect to Fair Value Rp million
<i>31 December 2018</i>			
Discount rate	15.59%	50 basis points	(2,541)/ 2,774
Growth rate after forecast period	2.2%	5 basis points	198/ (197)
<i>31 December 2017</i>			
Discount rate	13.10%	50 basis points	(4,141)/ 4,592
Growth rate after forecast period	1.8%	5 basis points	346/ (343)

The carrying amounts of cash and cash equivalents, current trade and other receivables, current trade and other payables and accruals, and short-term bank loans and borrowings are the approximations of their fair values because they are mostly short-term in nature.

The carrying amounts of long-term loans and borrowings and due to related parties with floating interest rates are the approximations of their fair values as they are re-priced frequently.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including currency risk and commodity price risk), credit risk and liquidity risk. The Audit & Risk Management Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in financial instruments shall be undertaken.

The following sections provide details regarding the Group and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk mainly arises from loans and borrowings for working capital and investment purposes. There are no loans and borrowings of the Group at fixed interest rates.

Currently, the Group does not have a formal hedging policy for interest rate exposures.

Sensitivity analysis for interest rate risk

Based on a sensible simulation, with all other variables held constant, sensitivity analysis on the floating interest rate of borrowings are as follows:

Variable	Increase/ (decrease)	2018 Increase/(decrease) in loss before tax Rp million	2017 (Decrease)/increase in profit before tax Rp million
Floating interest rate	50/(50) basis points	Rp9,818/(Rp9,818)	(Rp8,928)/Rp8,928

(b) Foreign currency risk

The Group's reporting currency is Indonesian Rupiah. The Group faces foreign exchange risk as its borrowings, export sales and the costs of certain key purchases which are either denominated in the United States Dollars or whose price is significantly influenced by their benchmark price movements in foreign currencies (mainly US Dollar) as quoted on international markets. To the extent that the revenue and purchases of the Group are denominated in currencies other than Indonesian Rupiah, and are not evenly matched in terms of quantum and/or timing, the Group has exposure to foreign currency risk.

The Group does not have any formal hedging policy for foreign exchange exposure. Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities against assets in the same currency to minimise foreign exchange exposure.

Based on a sensible simulation, with all other variables held constant, sensitivity analysis on the change of exchange rate of Rupiah against US Dollar are as follows:

Variable	Increase/ (decrease)	2018 Increase/(decrease) in loss before tax Rp million	2017 (Decrease)/increase in profit before tax Rp million
Exchange rate of Rupiah against US Dollar	10%/(10%)	Rp47,207/(Rp47,207)	(Rp120,795)/Rp120,795

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of changes in market prices. The Group is exposed to commodity price risk due to certain factors, such as weather, government policy, level of demand and supply in the market and the global economic environment. Such exposure mainly arises from its purchase of CPO where the profit margin on sale of its finished products may be affected if the cost of CPO (which is the main raw material used in the refinery plants to manufacture cooking oils and fats products) increases and the Group is unable to pass such cost increases to its customers.

During 2018 and 2017, it is, and has been, the Group's policy that no hedging in financial instruments shall be undertaken.

The Group's policy is to minimise the risks of its raw material costs arising from the fluctuations in the commodity prices by increasing self-sufficiency in CPO for the refinery operations (through the purchase of CPO from the Group's own plantations).

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group has credit risk arising from the credit granted to its customers and plasma farmers and placement of current accounts and deposits in the banks. At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Other than as disclosed below, the Group has no concentration of credit risk.

Cash and cash equivalents

Credit risk arising from placements of current accounts and deposits is managed in accordance with the Group's policy. Such limits are set to minimise the concentration of credit risk and therefore mitigate financial loss through potential failure of the banks.

Trade receivables

The Group has policies in place to ensure that sales of products are made only to creditworthy customers with proven track record or good credit history. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For export sales, the Group requires cash against the presentation of documents of title. For domestic sales, the Group may grant its customers credit terms from 1 to 35 days from the issuance of invoice. The Group has policies that the limit amount of credit exposure to any particular customer, such as, requiring sub-distributors to provide bank guarantees. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

When a customer fails to make payment within the credit terms granted, the Group will contact the customer to act on the overdue receivables. If the customer does not settle the overdue receivable within a reasonable time, the Group will proceed to commence legal proceedings. Depending on the Group's assessment, specific provisions may be made if the debt is deemed uncollectible. To mitigate credit risk, the Group will cease the supply of all products to customers in the event of late payment and/or default.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Credit risk (cont'd)

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type, payment terms and due date) as follows:

Categories	Risk level	Provision rate
Related Parties		
Entities under common control	No risk	0%
External Parties		
Amount is covered by letter of credit	No risk	0%
Under credit insurance	No risk	0%
More than 90 days past due	Probable risk	1%

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 21 and 23. The Group does not hold collateral as security or letters of credit and other forms of credit insurance. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in dispersed locations and industries.

Plasma Receivables

As disclosed in Notes 2.9 and 31(a), plasma receivables represent costs incurred for plasma plantation development which include costs for plasma plantations funded by the banks and temporarily self-funded by the subsidiaries awaiting banks' funding.

Plasma receivables also include advances to plasma farmers for loan instalments to the banks, advances for fertilisers and other agriculture supplies. These advances shall be reimbursed by the plasma farmers and the collateral in form of titles of ownership of the plasma plantations will be handed over to the plasma farmers once the plasma receivables have been fully repaid.

The Group through partnership scheme also provides technical assistance to the plasma farmers to maintain the productivity of plasma plantations as part of the Group's strategy to strengthen relationship with plasma farmers which is expected to improve the repayments of plasma receivables.

An impairment analysis is performed at each reporting date as disclose in Note 3 to measure ECL. The Group evaluates the concentration of risk with respect to plasma receivables as low, as the cooperatives are dispersed in accordance with the locations of the subsidiaries.

The Group's gross carrying amount of plasma receivables and the exposure to credit risk is as follows:

31 December 2018

	Gross carrying amount		Total Rp million
	12-month ECL Rp million	Lifetime ECL Rp million	
Total	257,874	1,589,853	1,847,727

31 December 2017

	Gross carrying amount		Total Rp million
	12-month ECL Rp million	Lifetime ECL Rp million	
Total	240,329	1,352,017	1,592,346

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities in its financial assets and liabilities. The Group manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and borrowings and equity market issues.

The table below summarises the maturity profile of the Group's financial liabilities at the end of reporting period based on contractual undiscounted repayment obligations:

	One year or less Rp million	One to five years Rp million	More than 5 years Rp million	Total Rp million
Group				
As at 31 December 2018				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	31,078	3,411,909	2,326,520	5,769,507
Other non-current payables	26,969	427,933	-	454,902
Trade and other payables and accruals	1,810,233	-	-	1,810,233
Current interest-bearing loans and borrowings	7,562,945	-	-	7,562,945
Total undiscounted financial liabilities	<u>9,431,225</u>	<u>3,839,842</u>	<u>2,326,520</u>	<u>15,597,587</u>
As at 31 December 2017				
Financial liabilities:				
Non-current interest-bearing loans and borrowings	118,645	4,007,919	2,736,791	6,863,355
Other non-current payables	17,876	369,535	-	387,411
Trade and other payables and accruals	1,631,014	-	-	1,631,014
Current interest-bearing loans and borrowings	4,914,344	1,013,390	-	5,927,734
Total undiscounted financial liabilities	<u>6,681,879</u>	<u>5,390,844</u>	<u>2,736,791</u>	<u>14,809,514</u>

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) *Liquidity risk (cont'd)*

	One year or less Rp million	One to five years Rp million	More than 5 years Rp million	Total Rp million
Group				
As at 1 January 2017				
<i>Financial liabilities:</i>				
Non-current interest-bearing loans and borrowings	117,914	5,180,930	3,627,536	8,926,380
Other non-current payables	31,139	604,377	-	635,516
Trade and other payables and accruals	1,499,716	-	-	1,499,716
Current interest-bearing loans and borrowings	3,047,763	1,002,997	-	4,050,760
Total undiscounted financial liabilities	4,696,532	6,788,304	3,627,536	15,112,372

Undiscounted loans and borrowings with floating rates had been determined with reference to the applicable rates as at balance sheet dates.

	One year or less Rp million	One to five years Rp million	More than 5 years Rp million	Total Rp million
Company				
As at 31 December 2018				
<i>Financial liabilities:</i>				
Trade and other payables and accruals	114,796	-	-	114,796
Current interest-bearing loans and borrowings	1,096,595	-	-	1,096,595
Total undiscounted financial liabilities	1,211,391	-	-	1,211,391
As at 31 December 2017				
<i>Financial liabilities:</i>				
Trade and other payables and accruals	104,739	-	-	104,739
Non-current interest-bearing loans and borrowings	8,375	1,013,390	-	1,021,765
Total undiscounted financial liabilities	113,114	1,013,390	-	1,126,504

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) *Liquidity risk (cont'd)*

	One year or less Rp million	One to five years Rp million	More than 5 years Rp million	Total Rp million
Company				
As at 1 January 2017				
Financial liabilities:				
Trade and other payables and accruals	14,843	-	-	14,843
Non-current interest-bearing loans and borrowings	6,368	1,002,997	-	1,009,365
Total undiscounted financial liabilities	21,211	1,002,997	-	1,024,208

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

Certain subsidiary companies are required to comply with loan covenants imposed by their lenders, such as maintaining the level of existing share capital. This externally imposed requirement has been complied with by the relevant subsidiary companies for the financial year ended 31 December 2018 and 2017. Additionally, certain subsidiary companies in Indonesia are required by the Corporate Law to maintain a non-distributable reserve until it reaches 20% of the issued and paid share capital. This externally imposed capital requirement will be complied by the relevant subsidiary companies by their next annual general meeting.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

The Group monitors capital using gearing ratios, by dividing net loans and borrowings with total equity. The Group's policy is to keep the gearing ratio within the range of gearing ratios of leading companies in similar industry in Indonesia in order to secure access to finance at a reasonable cost.

Capital managed by the management includes equity attributable to the majority shareholders of the Company and non-controlling interests.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. CAPITAL MANAGEMENT (CONT'D)

	2018	Group 2017	1 Jan 2017
	Rp million	Rp million	Rp million
Non-current interest-bearing loans and borrowings	4,218,271	6,067,793	7,545,936
Current interest-bearing loans and borrowings	6,971,649	4,462,704	2,481,405
	11,189,920	10,530,497	10,027,341
Less: Cash and cash equivalents	(2,228,869)	(2,929,674)	(2,404,838)
Net debts	8,961,051	7,600,823	7,622,503
Total equity	20,853,193	21,422,650	20,878,052
Gearing ratio	43%	35%	37%

36. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

Plantations segment

Plantations segment is mainly involved in the development and maintenance of oil palm, rubber and sugar cane plantations and other business activities relating to palm oil, rubber and sugar cane processing, marketing and selling. This segment is also involved in the cultivation of cocoa, tea and industrial timber plantations.

Edible Oils and Fats segment

Edible Oils and Fats segment produces, markets and sells edible oil, margarine, shortening and other related products and its derivative products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income), foreign exchange gain/loss and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between business segments are based on terms agreed between the parties. Segment revenues, segment expenses and segment results include transfers between business segments. Those transfers are eliminated for purposes of consolidation.

Others/eliminations for segment assets and liabilities relates primarily to eliminations between inter-segment receivables and payable, and the Company's asset and liabilities.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. SEGMENT INFORMATION (CONT'D)

The following table presents revenue and profit and certain asset and liability information regarding the Group's business segments:

Business segments

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2018				
Revenue				
Sales to external customers	3,462,558	10,596,892	-	14,059,450
Inter-segment sales	5,121,957	12,018	(5,133,975)	-
Total sales	<u>8,584,515</u>	<u>10,608,910</u>	<u>(5,133,975)</u>	<u>14,059,450</u>
Share of results of associate companies	2,241	-	(10,033)	(7,792)
Share of results of joint ventures	-	-	28,704	28,704
Segment results	<u>194,811</u>	<u>407,479</u>	<u>151,229</u>	<u>753,519</u>
Net finance expense				(615,761)
Foreign exchange loss				(118,034)
Loss on deemed disposal on investment in a joint venture				<u>(87,049)</u>
Loss before tax				(46,413)
Income tax expense				<u>(380,102)</u>
Net loss for the year				<u>(426,515)</u>
Assets and liabilities				
Segment assets	28,309,768	4,199,420	13,933	32,523,121
Goodwill	<u>3,245,317</u>	<u>-</u>	<u>-</u>	<u>3,245,317</u>
Prepaid taxes				336,031
Deferred tax assets				1,125,003
Claims for tax refund				<u>284,779</u>
Total assets				<u>37,514,251</u>
Segment liabilities	<u>3,838,643</u>	<u>1,952,817</u>	<u>(1,455,214)</u>	4,336,246
Unallocated liabilities				11,682,427
Deferred tax liabilities				614,776
Income tax payable				<u>27,609</u>
Total liabilities				<u>16,661,058</u>
Other segment information:				
Investment in associate companies	967,003	-	502,718	1,469,721
Capital expenditure	1,609,144	88,834	92	1,698,070
Depreciation and amortisation	1,373,220	111,996	3,679	1,488,895
Loss from changes in fair value of biological assets	(30,882)	-	-	(30,882)
Provision for employee benefits	<u>275,554</u>	<u>53,764</u>	<u>-</u>	<u>329,318</u>

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 31 December 2017				
Revenue				
Sales to external customers	5,440,797	10,284,507	-	15,725,304
Inter-segment sales	4,696,763	28,842	(4,725,605)	-
Total sales	<u>10,137,560</u>	<u>10,313,349</u>	<u>(4,725,605)</u>	<u>15,725,304</u>
Share of results of associate companies	140	-	(18,055)	(17,915)
Share of results of a joint venture	-	-	138,654	138,654
Segment results	<u>1,588,331</u>	<u>116,651</u>	<u>(133,580)</u>	<u>1,571,402</u>
Net finance expense				(539,538)
Foreign exchange loss				<u>(14,450)</u>
Profit before tax				1,138,153
Income tax expense				<u>(485,268)</u>
Net profit for the year				<u>652,885</u>
Assets and liabilities				
Segment assets	27,415,649	4,120,777	885,139	32,421,565
Goodwill	<u>3,245,837</u>	<u>-</u>	<u>-</u>	<u>3,245,837</u>
Prepaid taxes				273,845
Deferred tax assets				1,346,976
Claims for tax refund				<u>126,732</u>
Total assets				<u>37,414,955</u>
Segment liabilities	<u>3,359,564</u>	<u>1,746,542</u>	<u>(589,124)</u>	<u>4,516,982</u>
Unallocated liabilities				10,598,765
Deferred tax liabilities				784,827
Income tax payable				<u>91,731</u>
Total liabilities				<u>15,992,305</u>
Other segment information:				
Investment in associate companies	855,439	-	503,335	1,358,774
Capital expenditure	1,277,919	200,775	69	1,478,763
Depreciation and amortisation	1,309,337	117,428	3,656	1,430,421
Gain from changes in fair value of biological assets	34,839	-	-	34,839
Provision for employee benefits	<u>291,086</u>	<u>57,931</u>	<u>-</u>	<u>349,017</u>

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Plantations Rp million	Edible Oils and Fats Rp million	Others/ eliminations Rp million	Total Rp million
Year ended 1 January 2017				
Assets and liabilities				
Segment assets	27,418,240	3,683,555	478,077	31,579,872
Goodwill	3,253,637	-	-	3,253,637
Prepaid taxes				251,107
Deferred tax assets				1,240,194
Claims for tax refund				178,704
Total assets				36,503,514
Segment liabilities	3,223,751	1,897,839	[856,219]	4,265,371
Unallocated liabilities				10,296,442
Deferred tax liabilities				848,134
Income tax payable				215,515
Total liabilities				15,625,462
Other segment information:				
Investment in associate companies	493,028	-	509,219	1,002,247
Capital expenditure	1,546,081	39,714	31	1,585,826
Depreciation and amortisation	1,280,543	117,957	3,687	1,402,187
Gain from changes in fair value of biological assets	219,000	-	-	219,000
Provision for employee benefits	256,354	50,663	-	307,017

Geographical segments

The following table presents sales to customers based on the geographical location of the customers:

	2018 Rp million	2017 Rp million
Region		
Indonesia	12,311,531	14,361,702
Singapore	606,267	170,284
China	617,001	522,846
Nigeria	147,361	107,072
Malaysia	49,073	112,617
Philippines	50,101	50,063
Timor Leste	69,709	88,486
South Korea	32,516	109,115
Others (each below Rp50.0 billion)	175,891	203,119
Segment revenue	14,059,450	15,725,304

The Group's capital expenditure and segment assets are primarily incurred and located in Indonesia.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. EVENT OCCURRING AFTER THE REPORTING PERIOD

In January 2019, a subsidiary, Lonsum subscribed for 328,250 shares of PT Aston Inti Makmur, a related party for a consideration of Rp328.25 billion, representing 9.30% interest.

38. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 22 March 2019.

APPENDIX E – 1QFY2019 RESULTS



UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

1(a)(i) A comprehensive income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	31/03/2019	31/03/2018	Change
	Rp ' million	Rp ' million	%
Revenue	3,358,231	3,189,662	5.3
Cost of sales	(2,897,265)	(2,543,299)	13.9
Gross Profit	460,966	646,363	(28.7)
Gross Profit %	13.7%	20.3%	
Selling and distribution expenses	(110,561)	(118,883)	(7.0)
General and administrative expenses	(227,811)	(209,281)	8.9
Foreign exchange gain/ (loss)	3,857	(21,527)	n/m
Other operating income	26,868	17,066	57.4
Other operating expenses	(22,704)	(32,575)	(30.3)
Share of results of associate companies	(11,912)	(5,679)	109.8
Share of results of joint ventures	(36,019)	(2,934)	n/m
Gain/ (loss) arising from changes in fair value of biological assets	22,003	(11,630)	n/m
Profit from operations	104,687	260,920	(59.9)
Financial income	25,285	28,338	(10.8)
Financial expenses	(210,245)	(158,095)	33.0
(Loss)/ profit before tax	(80,273)	131,163	n/m
Income tax expense	(50,025)	(78,626)	(36.4)
Net (loss)/ profit for the period	(130,298)	52,537	n/m
Core (loss)/ profit after tax ⁽¹⁾	(150,679)	95,470	n/m
(Loss)/ profit attributable to:			
Owners of the Company	(57,790)	49,798	n/m
Non-controlling interests	(72,508)	2,739	n/m
	(130,298)	52,537	n/m

Notes

n/m denotes "Not Meaningful"

(1) Earnings before the accounting for the effects of foreign exchange, fair value gain/ (loss) on biological assets and changes in amortised cost of plasma receivables.

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APPENDIX E – 1QFY2019 RESULTS



	Group		
	31/03/2019	31/03/2018	Change
	Rp ' million	Rp ' million	%
Other comprehensive income (OCI):			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	(25,504)	15,435	n/m
Items that will not be reclassified to profit or loss			
Unrealised gain for available-for-sales investment	55	-	n/m
Re-measurement loss on employee benefits liability	(1,093)	(16,765)	(93.5)
Share of OCI of an associate company and joint venture	5,010	(14,674)	n/m
Other comprehensive income for the period, net of tax	(21,532)	(16,004)	34.5
Total comprehensive income	(151,830)	36,533	n/m
Total comprehensive income attributable to:-			
Owners of the Company	(78,602)	42,771	n/m
Non-controlling interests	(73,228)	(6,238)	n/m
	(151,830)	36,533	n/m

n/m denotes "Not Meaningful"

*** Reclassification 2018 figures**

The 2018 figures in the statement of comprehensive income have been reclassified to conform with current period presentation.

	As restated	As previously reported	Change
Statement of comprehensive income	1Q18	1Q18	
Cost of sales	(2,543,299)	(2,531,343)	(11,956)
Selling and distribution expenses	(118,883)	(118,170)	(713)
General and administrative expenses	(209,281)	(221,950)	12,669

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APPENDIX E – 1QFY2019 RESULTS



Additional Information: -

Earnings before interests and tax expense, depreciation and amortization and fair value gain/ (loss) on biological assets ("EBITDA")

	Group		
	31/03/2019	31/03/2018	Change
	Rp ' million	Rp ' million	%
Profit from operations	104,687	260,920	(59.9)
Add: Depreciation & amortisation	340,004	323,265	5.2
Less: Gain/ (loss) arising from changes in fair value of biological assets	22,003	(11,630)	n/m
Less: Foreign exchange gain/ (loss)	3,857	(21,527)	n/m
EBITDA excludes foreign exchange gain/ (loss)	418,831	617,342	(32.2)
EBITDA%	12.5	19.4	

1(a)(ii). Profit before income tax is arrived at after charging/(crediting) the following significant items.

Other information:-	Group		
	31/03/2019	31/03/2018	Change
	Rp ' million	Rp ' million	%
Depreciation of property, plant and equipment	322,181	318,034	1.3
Amortisation of deferred charges and others	17,823	5,231	240.7
Interest on borrowings	206,190	153,847	34.0
EIR amortisation of financial assets	5,374	20,727	(74.1)
Write-off of property, plant and equipment	2	279	(99.3)
(Gain)/ loss on disposal of property, plant and equipment	(738)	2,047	n/m
Changes in provision for asset dismantling costs	301	(954)	n/m

n/m denotes "Not Meaningful"

APPENDIX E – 1QFY2019 RESULTS



1(b)(i). A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31/03/2019	31/12/2018	31/03/2019	31/12/2018
	Rp ' million	Rp ' million	Rp ' million	Rp ' million
Non-current assets				
Biological assets	327,484	328,500	-	-
Property, plant and equipment	19,409,982	21,213,418	35,477	36,400
Right of use of assets	1,950,232	-	-	-
Goodwill	3,245,317	3,245,317	-	-
Claims for tax refund	275,266	284,779	-	-
Deferred tax assets	1,170,035	1,125,003	-	-
Investment in subsidiary companies	-	-	10,633,423	10,633,423
Investment in associate companies	1,816,073	1,469,721	551,139	551,139
Investment in joint ventures	750,896	809,373	-	-
Amount due from a subsidiary	-	-	1,150,000	1,150,000
Advances and prepayments	540,304	476,077	-	-
Other non-current receivables	1,468,963	1,433,224	10	10
Total non-current assets	30,954,552	30,385,412	12,370,049	12,370,972
Current assets				
Inventories	2,234,249	2,428,365	-	-
Trade and other receivables	1,518,406	1,395,471	103,189	93,424
Advances and prepayments	407,952	181,652	526	169
Prepaid taxes	342,726	336,031	-	-
Biological assets	582,616	516,656	-	-
Assets held for sale	41,795	41,795	-	-
Cash and cash equivalents	2,274,516	2,228,869	152,596	153,545
Total current assets	7,402,260	7,128,839	256,311	247,138
Total assets	38,356,812	37,514,251	12,626,360	12,618,110
Current liabilities				
Trade and other payables and accruals	2,163,766	1,810,233	116,925	114,796
Advances and taxes payable	228,211	234,699	-	-
Interest-bearing loans and borrowings	7,521,373	6,971,649	1,068,122	1,085,351
Income tax payable	58,736	27,609	8	9
Total current liabilities	9,972,086	9,044,190	1,185,055	1,200,156
Net current liabilities	(2,569,826)	(1,915,351)	(928,744)	(953,018)

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	Group		Company	
	31/03/2019	31/12/2018	31/03/2019	31/12/2018
	Rp ' million	Rp ' million	Rp ' million	Rp ' million
Non-current liabilities				
Interest-bearing loans and borrowings	4,121,751	4,218,271	-	-
Amounts due to related parties and other payables	427,859	427,859	-	-
Provision and other liabilities	32,309	32,007	-	-
Lease Liabilities	117,595	-	-	-
Employee benefits liabilities	2,381,239	2,323,955	-	-
Deferred tax liabilities	607,907	614,776	10,801	7,942
Total non-current liabilities	7,688,660	7,616,868	10,801	7,942
Total liabilities	17,660,746	16,661,058	1,195,856	1,208,098
Net assets	20,696,066	20,853,193	11,430,504	11,410,012
Share capital	3,584,279	3,584,279	10,912,411	10,912,411
Treasury shares	(390,166)	(390,166)	(390,166)	(390,166)
Revenue reserves	8,013,459	8,075,562	764,107	743,615
Other reserves	497,674	517,935	144,152	144,152
	11,705,246	11,787,610	11,430,504	11,410,012
Non-controlling interests	8,990,820	9,065,583	-	-
Total equity	20,696,066	20,853,193	11,430,504	11,410,012

1(b)(ii). Aggregate amount of the Group's borrowings and debt securities

	Group	
	31/03/2019	31/12/2018
	Rp ' million	Rp ' million
(i) Interest bearing debt payable in one year or less, or on demand		
Secured	2,291,251	2,129,298
Unsecured	5,230,122	4,842,351
Sub-total	7,521,373	6,971,649
(ii) Interest bearing debt repayable after one year		
Secured	4,121,751	4,218,271
Unsecured	-	-
Sub-total	4,121,751	4,218,271
Total interest bearing debt payable	11,643,124	11,189,920
(iii) Lease liabilities *	117,595	-
Total borrowings and debt securities	11,760,719	11,189,920

Details of the collaterals

The above bank term loans and investment loans are secured by corporate guarantees from a subsidiary and charge over the plantation assets of the respective subsidiary.

* These lease liabilities were relating to the adoption of SFRS(I) 16 Leases.

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1(c). **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group	
	31/03/2019	31/03/2018
	Rp ' million	Rp ' million
Cash flows from operating activities		
(Loss)/ profit before taxation	(80,273)	131,163
Adjustments:		
Depreciation and amortisation	340,004	323,265
Realisation of deferred costs	1,225	-
Unrealised foreign exchange (gain)/ loss	(7,084)	28,106
(Gain)/ loss arising from changes in fair value of biological assets	(22,003)	11,630
Effective interest rate amortisation of financial assets	5,374	20,727
Write-off of property, plant and equipment	2	279
(Gain)/ loss on disposal of property, plant and equipment	(738)	2,047
Changes in allowance for decline in market value and obsolescence of inventories	(19,924)	(20,596)
Changes in provision for asset dismantling costs	301	(954)
Change in estimated liability for employee benefits	93,252	89,005
Changes in fair value of long-term receivables	(130)	(128)
Share of results of associate companies	11,912	5,679
Share of results of joint ventures	36,019	2,934
Financial income	(25,285)	(28,338)
Financial expenses	210,245	158,095
Operating cash flows before working capital changes	542,897	722,914
Changes in working capital		
Other non-current assets	(51,361)	(66,075)
Inventories	214,040	(179,603)
Trade and other receivables	(122,935)	(111,303)
Advances to suppliers	(179,371)	(186,183)
Prepaid taxes	23,163	12,939
Trade and other payables and accruals	319,091	324,793
Advances from customers	(23,566)	(33,386)
Cash flows generated from operations	721,958	484,096
Interest received	25,309	27,206
Interest paid	(208,016)	(152,745)
Income tax paid	(98,215)	(124,375)
Net cash flows generated from operating activities	441,036	234,182

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	Group	
	31/03/2019	31/03/2018
	Rp ' million	Rp ' million
Cash flows from investing activities		
Additions to property, plant and equipment	(390,534)	(316,673)
Additions to biological assets	(30,098)	(7,312)
Increase in plasma receivables	(48,229)	(72,523)
Proceeds from disposal of property, plant and equipment	3,756	4,409
Advances for projects and purchases of fixed assets	(31,628)	(13,518)
Investment in a joint venture	-	(99,984)
Investment in associate companies	(357,516)	-
Net cash flows used in investing activities	(854,249)	(505,601)
Cash flows from financing activities		
Proceeds from interest-bearing loans and borrowings	944,751	541,030
Repayment of interest-bearing loans and borrowings	(477,507)	(361,752)
Proceeds from amount due to related parties	-	35,700
Net cash flows generated from financing activities	467,244	214,978
Net increase/ (decrease) in cash and cash equivalents	54,031	(56,441)
Effect of changes in exchange rates on cash and cash equivalents	(8,384)	9,961
Cash and cash equivalents at the beginning of the period	2,228,869	2,929,674
Cash and cash equivalents at the end of the period	2,274,516	2,883,194

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1(d)(i). A statement (for the issuer and group) showing either (i) all the changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CHANGES IN EQUITY

	Group		Company	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	Rp ' million	Rp ' million	Rp ' million	Rp ' million
Issued Share				
Balance as at 1 January / 31 March ⁽¹⁾	3,584,279	3,584,279	10,912,411	10,912,411
Treasury shares of the Company				
Balance as at 1 January / 31 March	(390,166)	(390,166)	(390,166)	(390,166)
Reserves				
Balance as at 1 January (FRS framework)	8,075,562	8,327,924	743,615	810,774
Cumulative effects of adopting SFRS(I) [#]	-	(24,634)	-	-
Cumulative effects of adopting SFRS(I) 16	(3,762)	-	-	-
Adjusted balance as at 1 January	8,071,800	8,303,290	743,615	810,774
Actuarial loss on employee benefits liability	(551)	(7,654)	-	-
Net (loss)/ profit for the year	(57,790)	49,798	20,492	(14,584)
Balance as at 31 March	8,013,459	8,345,434	764,107	796,190
Other Reserves*				
Balance as at 1 January (FRS framework)	517,935	582,329	144,152	144,152
Cumulative effects of adopting SFRS(I) [#]	-	24,634	-	-
Adjusted balance as at 1 January	517,935	606,963	144,152	144,152
Share of other comprehensive (loss)/ gain of a joint venture	(20,887)	7,391	-	-
Share of other comprehensive gain/ (loss) of an associate company	593	(6,763)	-	-
Unrealised gain for available-for-sales investment	33	-	-	-
Balance as at 31 March	497,674	607,591	144,152	144,152
Non-controlling Interests				
Balance as at 1 January	9,065,583	9,318,284	-	-
Cumulative effects of adopting SFRS(I) 16	(1,535)	-	-	-
Adjusted balance as at 1 January	9,064,048	9,318,284	-	-
Actuarial loss on employee benefits liability	(542)	(9,111)	-	-
Foreign currency translation	(200)	133	-	-
Unrealised gain for available-for-sales investment	22	-	-	-
Net (loss)/ profit for the year	(72,508)	2,739	-	-
Balance as at 31 March	8,990,820	9,312,045	-	-
Total Equity	20,696,066	21,459,183	11,430,504	11,462,587

Notes:

(1) The issued capital of the Group differs from that of the Company as a result of applying the reverse acquisition accounting in accordance with the former Singapore Financial Reporting Standard framework, SFRS 103. It represents the total of the deemed cost of acquisition immediately before the Acquisition and issue/placement of new shares by the Company subsequent to the Acquisition.

* Other reserves comprise capital reserves of subsidiary companies, gain on sale of treasury shares and foreign currency translation differences.

The figures were restated due to the application of exemptions upon the adoption of SFRS(I) framework where the cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, the amount of Rp24,634 million was adjusted against the opening retained earnings as at 1 January 2017.

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- (d)(ii). **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issue of equity securities, issue of shares for cash or consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at end of the current financial period reported on and as at end of the corresponding period of the immediately preceding financial year.**

The Company did not issue any shares during the period. As of 31 March 2019 and 31 December 2018, the number of issued shares was 1,447,782,830, of which 51,878,300 shares were held as treasury shares.

There were no outstanding convertibles as at 31 March 2019 and 31 December 2018.

- (d)(iii). **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Company	
	31/03/2019	31/12/2018
	(' 000)	(' 000)
Total number of issued shares	1,447,783	1,447,783
Less: Treasury shares	(51,878)	(51,878)
Total number of issued shares excluding treasury shares	1,395,905	1,395,905

- (d)(iv). **A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Treasury Shares	Company	
	No of shares ('000)	Amount Rp ' million
Balance as at 1 January 2019	51,878	390,166
Purchase of treasury shares	-	-
Balance as at 31 March 2019	51,878	390,166

2. **Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The financial information of the Group relating to the three months ended 31 March 2019 has been extracted from the interim condensed financial statements prepared by the management in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34, Interim Financial Reporting. This financial information has been reviewed by the auditors in accordance with Singapore Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

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4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies have been consistently applied by the Company and the Group, and are consistent with those used in the previous financial year except for the adoption of new or revises SFRS(I) that are mandatory for financial years beginning on or after 1 January 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changes, as well as the reason for, and the effect of, the change.

SFRS (I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group adopted the SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group has chosen, on a lease-by-lease basis, to measure the right-of-use asset at its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019.

In addition, the Group elected the following practical expedients:

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

On the adoption of SFRS(I) 16, the Group recognised right-of-use assets of Rp123 billion and lease liabilities of Rp129 billion for its leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings of Rp3.8 billion and non-controlling interests of Rp1.5 billion as of 1 January 2019. In addition, the Group will present land use rights of Rp1,849 billion as right-of-use assets as of 1 January 2019.

The Group has adopted the modified retrospective approach on the adoption of SFRS(I) 16. If the Group chose to adopt the full retrospective approach, the effects on the Balance Sheet would be as follows: -

	31 March 2019	31 December 2018 Restated	1 January 2018 Restated
Property, plant and equipment	19,409,982	19,363,743	19,342,621
Right of use of assets	1,950,232	1,972,074	2,007,205
Deferred tax assets	1,170,035	1,126,768	1,347,777
Lease Liabilities	117,595	129,461	174,630
Revenue reserves	8,013,459	8,071,800	8,301,633
Non-controlling interests	8,990,820	9,064,048	9,317,539

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6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding year, after deducting any provision for the preference dividends; (a) Based on weighted average number of shares and (b) On a fully diluted basis (detailing any adjustments made to the earnings)**

Basic earnings per share amounts are calculated by dividing earnings for the period attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated on the same basis as the basic earnings per share except that the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares as at 31 March 2019.

	Group		
	31/03/2019	31/12/2018	Change %
Earnings per share (Rp)			
Based on weighted average number of share	(41.4)	(158.9)	(73.9)
Based on a fully diluted basis	(41.4)	(158.9)	(73.9)

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the: -**

The net asset value per share for the Group is calculated using the Group's net asset value attributable to equity holders as at end of each period divided by the issued share capital of 1,395,904,530 (excluding 51,878,300 held as treasury shares) as of 31 March 2019 and 31 December 2018.

	Group		Company	
	31/03/19	31/12/18	31/03/19	31/12/18
Net asset value per share (Rp)	8,385	8,444	8,189	8,174
Net asset value per share (SGD 'cents) (converted at Rp10,507/S\$1)	79.8	80.4	77.9	77.8

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8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Group Performance

	Group		
	31/03/2019	31/03/2018	Change
	Rp ' million	Rp ' million	%
Revenue			
Plantations			
External sales	640,926	701,873	(8.7)
Inter-segment sales *	1,175,942	1,122,969	4.7
Sub-total	1,816,868	1,824,842	(0.4)
Edible Oils & Fats **			
External sales	2,717,305	2,487,789	9.2
Inter-segment sales	1,495	-	n/m
Sub-total	2,718,800	2,487,789	9.3
Elimination of inter-segment sales	(1,177,437)	(1,122,969)	4.9
Total revenue to external parties	3,358,231	3,189,662	5.3
Gross Profit	460,966	646,363	(28.7)
Gross Profit %	13.7%	20.3%	

* Comprises mainly internal CPO sales to the Group's own refineries

** Comprises mainly cooking oil, margarine and copra-based products

Financial Performance

Overview: Despite higher palm production and a strong EOF division performance, the Group reported a weak 1Q2019 with a net loss after tax of Rp130 billion. Lower commodity prices continued to affect the performance of the Group's oil palm plantation and the Brazilian sugar operations. CPO prices CIF Rotterdam in 1Q2019 declined by 19% to an average of US\$547 per tonne from US\$674 per tonne in 1Q2018.

Revenue: The Group reported higher consolidated revenue of Rp3.4 trillion in 1Q2019, increasing 5% over the same period last year mainly due to strong sales contribution from EOF division. The improved EOF division performance was mainly attributable to higher sales volume of edible oils and fats products. Plantation division's 1Q2019 revenue came in flat compared to previous year, where lower average selling prices of palm products were offset by higher sales volume of palm products and sugar.

Gross Profit: The Group gross profit declined 29% to Rp461 billion mainly due to lower palm product prices (CPO -17%, PK -46%). Lower plantation profit was partly offset by higher profit contribution from EOF Division.

Selling and Distribution Expenses (S&D): The Group reported lower S&D in 1Q2019, declining 7% over 1Q2018 mainly attributable to lower advertising and promotion expenses and export taxes. This was partly offset by higher freight arising from higher sales volume.

General and Administrative Expenses (G&A): The Group reported higher G&A in 1Q2019 mainly due to higher salaries and wages expenses.

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Other Operating Expenses: Other operating expenses was lower at Rp23 billion compared to Rp33 billion in 1Q last year mainly due to lower loss on changes in fair value of plasma receivables.

Foreign Exchange Gain/ (Loss): The foreign exchange impacts were principally attributable to the translation of US dollar denominated loans, assets and liabilities. The Group recognized foreign currency gain of Rp4 billion in 1Q2019 compared to Rp22 billion loss in 1Q2018. The gain was mainly due to the strengthening of Indonesian Rupiah against US Dollar to Rp14,244/US\$ as of 31 March 2019 versus Rp14,481/US\$ as of 31 December 2018.

Share of results of Associate Companies: The Group recognized Rp12 billion loss from share of results of associate companies in 1Q2019 compared to Rp6 billion loss in 1Q2018. The higher loss was mainly due to higher loss from FPNRL (which operates mainly sugar business in the Philippines).

Share of results of Joint Ventures: The Company's share of loss from the Brazilian sugar operations was higher at Rp36 billion in 1Q2019 compared to Rp3 billion in 1Q2018. The higher loss was mainly due to falling sugar and ethanol prices, and forex loss arising from the weakening of Brazilian real.

Gain/ (loss) Arising from Changes in Fair Values of Biological Assets: The Group recognized a fair value gain of Rp22 billion in 1Q2019 compared to Rp12 billion loss in 1Q2018. The fair value gain in 1Q2019 was mainly due to oil palm seeds and timber plantation valuations.

Profit from Operations: The Group reported 60% decline in profit from operations compared to last year, attributable to lower gross profit and higher share of losses from joint ventures. These was partly offset by foreign exchange gain and gain arising from changes in fair value of biological assets during 1Q2019.

Financial Expenses: The Group's 1Q2019 financial expenses increased 33% over the same period last year mainly due to higher working capital facilities and higher blended interest rate.

Income Tax Expense: The Group recognised lower income tax expenses in 1Q2019 in line with lower operating profit. However, the effective tax rates remained high mainly due to non-deductible expenses, write-off of expired tax losses and allowance of tax losses carried forward in 1Q2019.

Net (Loss)/ Profit After Tax: The Group reported net losses after tax of Rp130 billion in 1Q2019 compared to Rp53 billion profit in 1Q2018. This was mainly due to lower results from operations and higher financial expenses.

Core loss (excluding forex, biological assets and plasma receivables impacts) was Rp151 billion in 1Q2019 versus a core profit of Rp95 billion in 1Q2018.

Review of Financial Position

As of March 2019, the Group total non-current assets of Rp30.9 trillion came in slightly higher compared to Rp30.4 trillion in December 2018. The slight increase was mainly attributable to capital injections in associate companies (i.e. AIM and Daitocacao) amounting to Rp358 billion.

The Group reported total current assets of Rp7.4 trillion as of March 2019, comparing to Rp7.1 trillion in the previous year. The increase was mainly due to (i) higher cash level; (ii) higher trade and other receivables in line with higher edible oils and fat sales; (iii) higher advances for CPO purchase; and (iv) higher biological assets of sugarcane. These are partly offset by lower inventories arising from lower CPO, PK and sugar stocks.

Total current liabilities increased 10% from Rp9.0 trillion in December 2018 to Rp10.0 trillion in March 2019. This was mainly attributable to (i) a net drawdown of Rp0.5 trillion of short-term facilities for working capital; and (ii) higher trade payable and other payables, as well as higher accrual of Rp0.4 trillion due to salary and employee benefits and A&P expenses.

The Group reported net current liabilities of Rp2.6 trillion in March 2019 as certain long-term facilities falling due within the next 12 months.

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Total non-current liabilities were at Rp7.7 trillion as of March 2019, similar level as in December 2018. Employee benefits liabilities were slightly higher, but this was partly offset by lower long-term loan facilities arising from payment of loan installments and maturities of certain long-term facilities.

Review of Cash Flows

Despite soft operating results, the Group generated higher net cash flows from operations of Rp441 billion in 1Q2019 compared to Rp234 billion in 1Q2018. This was mainly due to improved working capital arising from lower inventories.

Net cash flows used in investing activities in 1Q2019 was Rp854 billion compared to Rp506 billion in 1Q2018. The increase was mainly due to higher additions of property, plant and equipment and investment in associate companies of Rp358 billion during the quarter.

Net cash flows generated from financing activities were Rp467 billion in 1Q2019 compared to Rp215 billion in 1Q2018. The increase mainly related to proceeds from interest-bearing loans and borrowings to fund the operations.

The net cash increase in 1Q2019 was Rp46 billion, increasing the Group's cash levels from Rp2,229 billion at end December 2018 to Rp2,275 billion at end March 2019.

9. ***Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.***

Not applicable.

10. ***A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.***

The ongoing economic uncertainties arising from US-China trade tensions is putting a lot of price pressure on agricultural commodities. CPO prices will remain volatile with demand projected from key import markets like China and India, together with the relative price of crude oil which affects biodiesel demand.

The domestic palm demand is expected to be affected by the roll-out of B20 (20%) biodiesel blending in September 2018 to both Public Service Obligation (PSO) and non-PSO sector and the Indonesian government's intention to accelerate the implementation of B30 biodiesel program in 2019.

11. ***If a decision regarding dividend has been made.***

(a) Current Financial Period Reported On

Nil.

(b) Any dividend declared for the previous corresponding period?

Nil.

12. ***If no dividend has been declared (recommended), a statement to that effect.***

The Board will review this at year end.

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13. Disclosure of the aggregate value of the transactions conducted under the shareholders' mandate for interested person transaction Rule 920(1)(a)(ii) of the Listing Manual

The Group has the following the interest person transactions ("IPT") for the 1Q 2019:

Name of Interested Person	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Rp 'billion	
PT ISM Group	
<ul style="list-style-type: none"> • Sales of cooking oil, margarine and others • Purchase of goods, services and assets 	<p>945</p> <p>45</p>
Salim Group	
<ul style="list-style-type: none"> • Sales of cooking oil, seeds and material • Purchases of goods and services • Shareholder loans • Corporate guarantees 	<p>468</p> <p>148</p> <p>844</p> <p>2,897</p>

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that is has procured undertakings from all its directors and executive officers in the form set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

15. Confirmation by the Board Pursuant to Rule 705(5) of the Listing Manual

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to the attention which may render the Group's unaudited financial statements for the first quarter ended 31 March 2019 to be false or misleading in any material aspect.

16. Subsequent Event

On 10 April 2019, CIMB Bank Berhad, Singapore Branch, for and on behalf of PT Indofood Sukses Makmur Tbk (the "Offeror"), made an announcement that the Offeror intends to make a voluntary conditional cash offer (the "Offer") to acquire all the issued and paid-up ordinary shares in the capital of the Company (excluding any shares held in treasury) other than those already held by the Offeror and its related corporations, and their respective nominees as at the date of the Offer in accordance with Rule 15 of The Singapore Code on Take-overs and Mergers.

The Singapore Code on Take-overs and Mergers

The unaudited results for the first quarter and 3-month period ended 31 March 2019 have been reported on in accordance with The Singapore Code on Take-overs and Mergers.

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Auditors' Consent

Ernst & Young LLP, named as the auditors of the Company in the Unaudited Financial Statements for the First Quarter ended 31 March 2019 ("**Unaudited Financial Statements**"), has given and has not withdrawn its written consent to the release of its review letter dated 30 April 2019 on the Unaudited Financial Statements for purpose of attachment to the Company's announcement on its unaudited results for the first quarter and 3-month period ended 31 March 2019, and all references to its name in the form and context in which they appear herein.

Independent Financial Adviser's Consent

Novus Corporate Finance Pte. Ltd., the independent financial adviser to the directors of the Company who are considered independent for the purposes of the Offer by the Offeror for all the issued and paid-up ordinary shares in the capital of the Company, has given and has not withdrawn its consent to the release of its letter dated 30 April 2019 on the Unaudited Financial Statements for purpose of attachment to the Company's announcement on its unaudited results for the first quarter and 3-month period ended 31 March 2019, and all references to its name in the form and context in which they appear herein.

BY THE ORDER OF THE BOARD

Mark Julian Wakeford
Chief Executive Officer and Executive Director

30 April 2019

INDOFOOD AGRI RESOURCES Ltd.
8 Eu Tong Sen Street
#16-96/97 The Central
Singapore 059818
Company Registration No. 200106551G

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APPENDIX E – 1QFY2019 RESULTS



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ASU-RT/60488902/VIN

30 April 2019

The Board of Directors
Indofood Agri Resources Ltd.
8 Eu Tong Sen Street
#16-96/97 The Central
Singapore 059818

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE MEMBERS OF INDOFOOD AGRI RESOURCES LTD.

We have reviewed the accompanying unaudited interim condensed financial statements of the Indofood Agri Resources Ltd. (the 'Company') and its subsidiaries (collectively, the 'Group'), which comprise the interim condensed balance sheet of the Group and the Company as at 31 March 2019, the statement of changes in equity of the Group and the Company, and the interim condensed consolidated statement of comprehensive income, and interim condensed consolidated cash flow statement of the Group for the period from 1 January 2019 to 31 March 2019.

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Singapore Financial Reporting Standard (International) 1-34 Interim Financial Reporting ("SFRS(I) 1-34"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

APPENDIX E – 1QFY2019 RESULTS



The Board of Directors
Indofood Agri Resources Ltd.

Page 2
30 April 2019

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not presented fairly, in all material respects, in accordance with SFRS(I) 1-34.

Other matters

We have not carried out a review in accordance with Singapore Standards on Review Engagements on the interim financial information for the three-month period ended 31 March 2018 included as comparative figures in this interim financial information, as the Group was not required to present reviewed interim financial information for the period. The interim financial information for the three-month period ended 31 March 2018 is the responsibility of the management and directors.

Restriction of use

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the interim financial information for the purpose of assisting the Company to comply with Rule 25 of the Singapore Code on Takeovers and Mergers, and for no other purpose. Our report is included in the Company's announcement of its unaudited results for the period ended 31 March 2019, for the information of its members. We do not assume responsibility to anyone other than the Company for our work, for our report, or for the conclusions we have reached in our report.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', is written over the printed name.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

30 April 2019

APPENDIX E – 1QFY2019 RESULTS



30 April 2019

The Board of Directors
Indofood Agri Resources Ltd.
8 Eu Tong Sen Street
#16-96/97 The Central
Singapore 059818

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFER (THE “OFFER”) FOR ALL THE ISSUED AND PAID-UP ORDINARY SHARES (THE “SHARES”) IN THE CAPITAL OF INDOFOOD AGRI RESOURCES LTD. (THE “COMPANY”), OTHER THAN THOSE ALREADY HELD BY PT INDOFOOD SUKSES MAKMUR TBK (THE “OFFEROR”) AND ITS RELATED CORPORATIONS

On 10 April 2019, CIMB Bank Berhad, Singapore Branch announced, for and on behalf of the Offeror, the Offer for all the Shares, other than those already held by the Offeror and its related corporations, and their respective nominees as at the date of the Offer.

On 30 April 2019, the Company had announced its unaudited consolidated financial results for the first quarter ended 31 March 2019 (“1Q2019”) (the “1Q2019 Results”). This letter has been prepared for inclusion in the 1Q2019 Results and we have given and have not withdrawn our consent to the release of the 1Q2019 Results with the inclusion of our name and this letter.

We have examined the 1Q2019 Results and have discussed the same with the management of the Company who are responsible for its preparation. We have relied on and assumed the accuracy and completeness of all information provided to or discussed with us by the Company. We have also considered the report on the review of interim condensed financial statements prepared by the Company’s auditors, Ernst & Young LLP, dated 30 April 2019 in relation to their review of the unaudited interim condensed financial information for 1Q2019. Save as provided in this letter, we do not express any other opinion or view on the 1Q2019 Results. The Board of Directors of the Company remains solely responsible for the 1Q2019 Results.

Based on the above, we are of the opinion that the 1Q2019 Results have been prepared after due and careful enquiry by the Board of Directors of the Company.

This letter is provided to the Board of Directors of the Company solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and not for any other purpose. We do not accept any responsibility to any other person(s), other than the Board of Directors of the Company in respect of, arising out of, or in connection with this letter.

Yours sincerely
For and on behalf of
NOVUS CORPORATE FINANCE PTE. LTD.

A handwritten signature in black ink, appearing to read "Andrew Leo".

Andrew Leo
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Huang Wei Beng".

Huang Wei Beng
Director

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

The provisions in the Constitution relating to rights of Shareholders in respect of capital, dividends and voting are reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of which is available for inspection at the registered office of the Company at 8 Eu Tong Sen Street, #16-96/97 The Central, Singapore 059818 during normal business hours until the Closing Date.

(A) RIGHTS IN RESPECT OF CAPITAL

SHARES

7. (1) The rights attaching to shares of a class other than ordinary shares shall be expressed in this Constitution. Shares of a class other than ordinary shares
- (2) The Company may issue shares for which no consideration is payable to it. Issue of shares for no consideration
8. Subject to the Statutes and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in general meeting but subject thereto and to regulation 68, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit. Any such shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit. Preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors Provided always that:
- (a) (subject to any direction to the contrary that may be given by the Company in general meeting) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of regulation 68(1) with such adaptations as are necessary shall apply; and
- (b) any other issue of shares, the aggregate of which would exceed the limits referred to in regulation 68(2), shall be subject to the approval of the Company in general meeting.
9. Notwithstanding anything in this Constitution, a treasury share shall be subject to such rights and restrictions as may be prescribed in the Act and may be dealt with by the Company in such manner as may be permitted by, and in accordance with, the Act. For the avoidance of doubt, save as expressly permitted by the Act, the Company shall not be entitled to any rights of a Member under this Constitution. Treasury shares

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

10. (1) Preference shares may be issued subject to such limitation thereof as may be prescribed by law or by the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed). Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports, balance sheets and financial statements and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears. In the event of preference shares being issued, the total number of issued preference shares shall not at any time exceed the total number of issued ordinary shares.
- (2) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.
11. If at any time the share capital is divided into different classes, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of shares of the class and to every such Special Resolution the provisions of Section 184 of the Act shall with such adaptations as are necessary apply. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall *mutatis mutandis* apply,

Rights attached to preference shares

Issue of further preference shares

Variation of rights of shares

Provided always that:

- (a) the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll, but where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two (2) months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting; and
- (b) where all the issued shares of the class are held by one (1) person, the necessary quorum shall be one (1) person and such holder of shares of the class present in person or by proxy or by attorney may demand a poll.

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

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| 12. | The repayment of preference capital other than redeemable preference capital or any other alteration of preference shareholders' rights, may only be made pursuant to a Special Resolution of the preference shareholders concerned. Provided always that where the necessary majority for such a Special Resolution is not obtained at a meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a Special Resolution carried at the meeting. | Variation of rights of preference shareholders |
| 13. | The rights conferred upon the holders of the shares of any class issued with preferred rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class or by this Constitution, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects <i>pari passu</i> therewith but in no respect in priority thereto. | Issue of further shares affecting preferred rights |
| 14. | If by the conditions of allotment of any shares the whole or any part of the amount of the issue price thereof shall be payable by instalments every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the registered holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same. | Payment of instalments |
| 15. | The Company may pay any expenses (including brokerage or commission) incurred in any issue of shares or purchase or acquisition of shares at such rate or amount and in such manner as the Directors deem fit. Such expenses may be paid in whole or in part in cash or fully or partly paid shares of the Company. The Company may, in addition to, or in lieu of, such commission, in consideration of any person subscribing or agreeing to subscribe, or of his procuring or agreeing to procure subscriptions, for any shares in the Company, confer on any such person an option call within a specified time for a specified number of shares in the Company at a specified price or on such other terms and conditions as the Directors may deem fit. The requirements of the provisions of the Act shall be observed, as far as applicable. | Payment of expenses (including brokerage and commission) |
| 16. | Save to the extent permitted by the Act or the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed), no part of the funds of the Company shall, directly or indirectly, be employed in the purchase of or subscription for or making of loans upon the security of any shares (or its holding company, if any). The Company shall not, except as authorised by the Act, give any financial assistance for the purpose of or in connection with any purchase of shares in the Company (or its holding company, if any). | Company's shares as security |
| 17. | Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may | Power to charge interest on capital |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

pay interest on so much of that share capital as is for the time being paid up for the period (except treasury shares), and, subject to the conditions and restrictions mentioned in Section 78 of the Act, may charge the same to capital as part of the cost of the construction of the works or building or the provision of the plant.

18. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository or its nominee, as the case may be) entered in the Register of Members as the registered holder thereof or (where the person entered in the Register of Members as the registered holder of a share is the Depository) the person whose name is entered in the Depository Register in respect of that share.
- Company need not recognise trust

SHARE CERTIFICATES

19. Every person whose name is entered as a Member in the Register of Members shall be entitled to receive, within ten (10) Market Days (or such other period as may be prescribed or approved by the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed) from time to time or by the provisions of the Statutes) of the closing date of any application for shares or, as the case may be, the date of lodgement of a registrable transfer, one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Where such a Member transfers part only of the shares comprised in a certificate or where a registered shareholder requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such Member shall pay a fee not exceeding S\$2/- for each such new certificate or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed). Where the Member is a Depositor the delivery by the Company to the Depository of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement.
- Entitlement to share certificate
20. The retention by the Directors of any unclaimed share certificates (or stock certificates as the case may be) shall not constitute the Company a trustee in
- Retention of certificate

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

respect thereof. Any share certificate (or stock certificate as the case may be) unclaimed after a period of six (6) years from the date of issue of such share certificate (or stock certificate as the case may be) may be forfeited and if so shall be dealt with in accordance with this Constitution *mutatis mutandis*.

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| 21. | The certificate of title to shares shall be issued under the Seal in such form as prescribed by the Directors from time to time, or executed as a deed in accordance with the Act. Every certificate shall bear the autographic or facsimile signatures of at least two (2) Directors or by one (1) Director and the Secretary or some other person appointed by the Directors, and shall specify the number and the class of shares to which it relates, whether the shares are fully or partly paid up, the amount (if any) unpaid on the shares and any other information as the Act may require. The facsimile signatures may be reproduced by mechanical, electrical or other means provided the method or system of reproducing signatures has first been approved by the Directors. No certificate shall be issued representing more than one class of shares. | Form of share certificate |
| 22. | (1) Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register of Members may at his request be cancelled and a single new certificate for such shares issued in lieu without charge. | Consolidation of share certificates |
| | (2) If any person whose name is entered in the Register of Members shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Directors may, if they think fit, comply with such request. Such person shall (unless such fee is waived by the Directors) pay a maximum fee of S\$2/- for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed). | Sub-division of share certificates |
| | (3) In the case of shares registered jointly in the names of several persons any such request may be made by any one of the registered joint holders. | Requests by joint holders |
| 23. | (1) Subject to the provisions of the Act, if any share certificates shall be defaced, worn-out, destroyed, lost or stolen, it may be renewed or replaced on such evidence being produced and a letter of indemnity, undertaking and/or statutory declaration (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company | Issue of replacement certificates |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

are listed) or on behalf of its/their client(s) as the Directors shall require, and in the case of defacement or wearing out, on delivery of the old certificate and in any case on payment of such sum not exceeding S\$2/- as the Directors may from time to time require. In the case of destruction, loss or theft, the shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction, loss or theft.

- (2) When any shares under the powers in this Constitution herein contained are transferred and the certificate thereof has not been delivered up to the Company by the former holder of the said shares, the Directors may issue a new certificate for such shares distinguishing it in such manner as they may think fit from the certificate not so delivered up. New certificate in place of one not surrendered

JOINT HOLDERS OF SHARES

24. Where two (2) or more persons are registered as the holders of any share, they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the following provisions: Joint holders deemed holding as joint tenants
- (a) the Company shall not be bound to register more than three (3) persons as the holders of any share, except in the case of executors, trustees or administrators of the estate of a deceased Member; Limited to 3 joint holders
- (b) the joint holders of a share shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such share; Jointly and severally liable
- (c) on the death of any one (1) of such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such share but the Directors may require such evidence of death as they may deem fit; Survivorship
- (d) any one (1) of such joint holders may give effectual receipts for any dividend or other moneys payable or property distributable to such joint holders on or in respect of the share; and Receipts
- (e) only the person whose name stands first in the Register of Members as one (1) of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders. Entitlement to delivery of share certificates and notice

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

TRANSFER OF SHARES

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| 25. | Subject to the restrictions of this Constitution and any restrictions imposed by law or the Exchange (or where applicable, any other securities exchange upon which the shares in the Company are listed), any Member may transfer all or any of his shares, but every instrument of transfer of the legal title in shares must be in writing and in the form approved by the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed), or in any other form acceptable to the Directors, and must be left at the Office (or such other place as the Directors may appoint) for registration, accompanied by the certificate(s) of the shares to be transferred, and such other evidence (if any) as the Directors may require to prove the title of the intending transferor, or his right to transfer the shares. | Form of transfer |
| 26. | Shares of different classes shall not be comprised in the same instrument of transfer. | Different classes of shares |
| 27. | The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee and be witnessed, provided that an instrument of transfer in respect of which the transferee is the Depository or its nominee (as the case may be) shall be effective although not signed or witnessed by or on behalf of the Depository or its nominee (as the case may be). The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof; Provided always that the Directors may dispense with the execution of the instrument of transfer by the transferee in any case in which they think fit in their discretion so to do. | Transferor and transferee to execute transfer |
| 28. | All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same. | Retention of transfer |
| 29. | No share shall in any circumstances be transferred to any infant, bankrupt or person who is mentally disordered and incapable of managing himself or his affairs but nothing herein contained shall be construed as imposing on the Company any liability in respect of the registration of such transfer if the Company has no actual knowledge of the same. | Infant, bankrupt or mentally disordered |
| 30. | Subject to any legal requirements to the contrary, the Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six (6) years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six (6) years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six (6) years from the date of the cancellation thereof and it shall be conclusively presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an | Destruction of transfer |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

instrument of transfer or other documents so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company,

Provided always that:

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
 - (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any circumstances which would not attach to the Company in the absence of this regulation; and
 - (c) references herein to the destruction of any document include references to the disposal thereof in any manner.
31. (1) There shall be no restriction on the transfer of fully paid up shares (except where required by law or the listing rules of, or bye-laws and rules governing, the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed)) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. Directors' power to decline to register
- (2) The Directors may decline to recognise any instrument of transfer of shares unless:
- (a) a fee not exceeding S\$2/- (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed)) as the Directors may from time to time require, is paid to the Company in respect thereof Payment of fee and deposit of transfer
 - (b) the amount of proper duty (if any) with which each instrument of transfer of shares is chargeable under any law for the time being in force relating to stamp duty is paid;
 - (c) the instrument of transfer is deposited at the Office (or such other place as the Directors may appoint) and is

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

accompanied by a certificate of payment of stamp duty (if any), the certificate of the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and where the instrument is executed by some other person on his behalf, the authority of the person so to do; and

- (d) the instrument of transfer is in respect of only one (1) class of shares.

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| 32. | If the Directors refuse to register a transfer of any shares, they shall within ten (10) Market Days after the date on which the transfer was lodged with the Company (or such period of time as may be prescribed by the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed)) give to the transferor and to the transferee notice of their refusal to register as required by the Act. | Notice of refusal to register |
| 33. | The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine; Provided always that it shall not be closed for more than thirty (30) days in any year (in aggregate) and during such periods the Directors may suspend the registration of transfers. Further Provided always that the Company shall give prior notice of such closure as may be required to the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed), stating the period and purpose or purposes for which the closure is to be made. | Closure of Register of Members |
| 34. | Nothing in this Constitution shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person. | Renunciation of allotment |
| 35. | Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by relevant parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. In every such case, the person registered as transferee, his executors, trustees, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto. | Indemnity against wrongful transfer |

APPENDIX F – RELEVANT PROVISIONS OF THE CONSTITUTION

TRANSMISSION OF SHARES

36. In the case of the death of a Member whose name is registered in the Register of Members, the survivors or survivor where the deceased was a joint holder, and the executors, trustees or administrators of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares, but nothing herein contained shall release the estate of a deceased shareholder from any liability in respect of any share solely or jointly held by him. Transmission on death
37. In the case of the death of a Member who is a Depositor, the survivors or survivor where the deceased was a joint holder, and the executors, trustees or administrators of the deceased where he was a sole holder and where such executors, trustees or administrators are entered in the Depository Register in respect of any shares of the deceased, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased Depositor (whether sole or joint) from any liability in respect of any share held by him. Transmission on death of Depositor
38. (1) Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of any Member whose name is entered in the Register of Members, and any guardian of an infant becoming entitled to the legal title in a share and whose name is entered in the Register of Members, and any person as properly has the management of the estate of a Member whose name is entered in the Register of Members and who is mentally disordered and incapable of managing himself or his affairs or any person becoming entitled to a share by virtue of a vesting order by a court of competent jurisdiction and recognised by the Company as having any title to that share may, upon producing such evidence of title as the Directors shall require, elect either to be registered himself as holder of the share or transfer the share to some other person, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by a Member. Person becoming entitled in certain circumstances may be registered
- (2) If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to transfer the share to another person he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the event upon which transmission took place had not occurred and the notice or transfer were a transfer signed by the person from whom the title by transmission is derived. Requirements regarding transmission of shares

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- (3) The Directors may at any time give notice requiring any such person to elect whether to be registered himself as a Member in the Register of Members or, (as the case may be), entered in the Depository Register in respect of the share or to transfer the share and if the notice is not complied with within sixty (60) days the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.
- Notice to register to unregistered executors and trustees
39. Save as otherwise provided by or in accordance with this Constitution, a person becoming entitled to a share pursuant to regulation 36, 37 or 38 (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the Member in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company or (save as aforesaid) to any of the rights or privileges of a Member in respect of the share, unless and until he shall be registered as the holder thereof; Provided always that the Directors may at any time give notice requiring any such person to elect either to be registered or named in the Depository Register himself or to transfer the share, and if the notice is not complied with within sixty (60) days the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.
- Rights of unregistered persons entitled to a share
40. There shall be paid to the Company in respect of the registration of any probate, letter of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any shares, such fee not exceeding S\$2/-, or such other sum as may be approved by the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed) from time to time, as the Directors may from time to time require or prescribe.
- Fees for registration of probate etc.

CALL ON SHARES

41. The Directors may from time to time, as they think fit, make calls upon the Members in respect of any moneys unpaid on their shares or on any class of their shares and not by the conditions of the issue and allotment thereof made payable at fixed times; and each Member shall (subject to his having been given at least fourteen (14) days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be made payable by instalments. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.
- Directors may make calls on shares

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| 42. | A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. | Time when new call made |
| 43. | If before or on the day appointed for payment thereof, a call payable in respect of a share is not paid, the person from whom the amount of the call is due shall pay interest on such amount at such rate not exceeding ten per cent (10%) per annum as the Directors may determine from the day appointed for payment thereof to the time of actual payment, and shall also pay all costs, charges and expenses which the Company may have incurred or become liable for in order to procure payment of or in consequence of the non-payment of such call or instalment, but the Directors shall be at liberty to waive payment of such interest, costs, charges and expenses wholly or in part. | Interest and other late payment costs |
| 44. | Any sum which by the terms of issue of a share is made payable upon allotment or at any fixed date and any instalment of a call shall for all purposes of this Constitution be deemed to be a call duly made and payable on the date fixed for payment and, in the case of non-payment, the provisions of this Constitution as to payment of interest and expenses, forfeiture and the like and all other relevant provisions of the Statutes or of this Constitution shall apply as if such sum were a call duly made and notified as hereby provided. | Sum due on allotment or other fixed date |
| 45. | The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the time of payment of such calls. | Power of Directors to differentiate |
| 46. | The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the money uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish (so far as the same shall extend) the liability upon the shares in respect of which it is made, and upon the money so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares concerned, the Company may pay interest at a rate agreed between the Member paying such sum and the Directors provided that such rate may not exceed eight per cent (8%) per annum without the sanction of the Company in general meeting. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide. | Payment in advance of calls |

FORFEITURE OF SHARES

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| 47. | If a Member fails to pay the whole or any part of any call or instalment of a call by or on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or | Notice requiring payment of unpaid calls |
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- instalment as is unpaid, together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.
48. The notice shall name a further day (not being less than fourteen (14) days from the date of service of the notice) on or before which the payment required by the notice is to be made. It shall also name the place where payment is to be made and shall state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited. Notice to state time and place of payment
49. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Forfeiture of shares for non-compliance with notice
50. A forfeiture of shares shall include all dividends in respect of the shares not actually paid before the forfeiture notwithstanding that they shall have been declared. Forfeiture to include all dividends
51. The Directors may accept a surrender of any share liable to be forfeited hereunder. Directors may accept surrender in lieu
52. The forfeiture or surrender of a share shall involve the extinction at the time of forfeiture or surrender of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the Member whose share is forfeited or surrendered and the Company, except only such of those rights and liabilities as are by this Constitution expressly saved, or as are by the Act given or imposed in the case of past Members. Extinction of forfeited share
53. Notwithstanding any such forfeiture, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture, upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit. Directors may allow forfeited share to be redeemed
54. A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person, on such terms and in such manner as the Directors think fit and at any time before a sale or disposition, the forfeiture or surrender may be cancelled on such terms as the Directors think fit. To give effect to any such sale, re-allotment or other disposition, the Directors are empowered to or may authorise some other person to transfer the shares to the purchaser. Sale of forfeited shares

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55. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed and he shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share. Company may receive consideration of sale
56. If any shares are forfeited and sold, any residue after the satisfaction of the unpaid calls and accrued interest and expenses, shall be paid to the person whose shares have been forfeited, or his executors, trustees, administrators or assignees or as he directs. Application of residue of proceeds of forfeiture
57. A person whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares, but shall, notwithstanding such forfeiture or surrender, remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at the rate of ten per cent (10%) per annum (or such lower rate as the Directors may approve) from the date of the forfeiture or surrender until payment in respect of the shares; but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. The Directors may at their absolute disclosure enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or waive payment either wholly or in part. Liabilities of Members whose shares forfeited
58. Notice of any forfeiture shall forthwith be given to the holder of the share forfeited or to the person entitled by transmission to the share forfeited as the case may be. An entry of the forfeiture with the date thereof and the fact of the notice given shall be made in the Register of Members or in the Depository Register (as the case may be) opposite the share. The provisions of this regulation are directory only, and no forfeiture shall be in any manner invalidated by any omission to give such notice or to make such entry as aforesaid. Notice of forfeiture

LIEN ON SHARES

59. (1) The Company shall have a first and paramount lien and charge on all the shares not fully paid up in the name of a Member (whether solely or jointly with others) and all dividends, interest and other distributions from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this regulation. Company's lien

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- (2) No Member shall be entitled to receive any dividend or to exercise any privileges as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether along or jointly with any other person, together with interest and expenses (if any).
60. For the purpose of enforcing such lien, the Directors may sell all or any of the shares subject thereto in such manner as they think fit, but no sale shall be made unless some sum in respect of which the lien exists is presently payable and until a notice in writing stating the amount due and demanding payment and giving notice of intention to sell in default, shall have been served in such a manner as the Directors shall think fit on such Member or the person (if any) entitled by transmission to the shares, and default in payment shall have been made by him or them for fourteen (14) days after such notice. To give effect to any such sale or other disposition, the Directors are empowered or may authorise some other person to transfer the shares to the purchaser. Sale of shares subject to lien
61. The net proceeds of any such sale shall be applied in or towards satisfaction of the unpaid calls and accrued interest and expenses due from the Member to the Company in respect of the shares and the residue (if any) shall be paid to the person whose shares have been forfeited or his executors, trustees, administrators or assignees or as he directs; Provided always that the Company shall be entitled to a lien upon such residue in respect of any money due to the Company but not presently payable like to that which it had upon the shares immediately before the sale thereof. Application of proceeds of sale
62. To give effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser and the Directors may enter the purchaser's name in the Register of Members as holder of the shares and the purchaser shall not be bound to see to the regularity or validity of the transfer or be affected by any irregularity or invalidity in the proceedings or be bound to see to the application of the purchase money. After his name has been entered in the Register of Members the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively. Transfer and title to shares sold
63. A statutory declaration in writing by a Director that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof, together with the certificate under seal for the share delivered to a purchaser (or where the purchaser is a Depositor, to the Depository or its nominee (as the case may be)) or allottee thereof, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be entered in the Statutory declaration that share duly forfeited

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Register of Members as the holder of the share or (as the case may be) in the Depository Register in respect of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the forfeiture, surrender, sale, re-allotment or disposal of the share.

CONVERSION OF SHARES INTO STOCK

64. The Company may from time to time by Ordinary Resolution convert any paid up shares into stock and may from time to time by like resolution reconvert such stock into paid up shares. Conversion from share to stock and back to share
65. When any shares have been converted into stock, the several holders of such stock may transfer their respective interests therein or any part of such interests in such manner as the Company in general meeting shall direct, but in the absence of such direction, the respective interests may be transferred in the same manner and subject to the same regulations as the shares from which the stock arose would have been transferred prior to conversion or as near thereto as circumstances will admit. But the Directors may if they think fit from time to time fix the minimum number of stock units transferable. Transfer of stock
66. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards dividend and return of capital and the assets on winding up) shall be conferred by the number of stock units which would not, if existing in shares, have conferred that privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted. Rights of stockholders
67. All such provisions of this Constitution as are applicable to paid up shares shall apply to stock and in all such provisions the words 'share' and 'shareholder' shall include 'stock' and 'stockholder'. Interpretation

ALTERATIONS OF CAPITAL

68. (1) Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed), all new shares shall before issue be offered to such Members who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will Offer of new shares to members

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be deemed to be declined. After the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares), in the opinion of the Directors, cannot be conveniently offered under this regulation 68(1).

- (2) Notwithstanding regulation 68(1), the Company may by Ordinary Resolution in general meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:–
- General authority for Directors to issue new shares and make or grant Instruments
- (a) (i) issue shares of the Company whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, 'Instruments') that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
- (b) (notwithstanding that the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

Provided always that:-

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed);
- (2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed) for the time being in force (unless such compliance is waived by the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed)) and this Constitution; and

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- (3) (unless revoked or varied by the Company in general meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).
69. Notwithstanding regulation 68 above but subject to the Act, the Directors shall not be required to offer any new shares or make or grant any Instruments to Members to whom by reason of foreign securities laws such offer of shares or making or granting of Instruments may not be made without registration of the shares or Instruments or a prospectus or other document, but may, at their absolute discretion and on such terms and conditions as the Directors deem fit, sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.
70. Subject to any directions that may be given in accordance with the powers contained in this Constitution, any capital raised by the creation of new shares shall be considered as part of the original capital as consisting of ordinary shares and shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital. Capital raised deemed original capital
71. (1) The Company may by Ordinary Resolution or as otherwise permitted by the provisions of the Statutes: Power to consolidate, cancel and sub-divide shares
- (a) consolidate and divide all or any of its shares;
- (b) subdivide its shares or any of them (subject nevertheless to the provisions of the Statutes and this Constitution) provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
- (c) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person or which have been forfeited and diminish the amount of its capital by the number of the shares so cancelled; and
- (d) subject to the provisions of the Statutes, convert its share capital or any class of shares from one currency to another currency.

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- (2) The Company may by Special Resolution and subject to and in accordance with the Statutes, convert one class of shares into another class of shares. Power to convert shares
72. (1) The Company may reduce its share capital or any undistributable reserve in any manner, subject to any requirements and consents required by law. Reduction of share capital
- (2) Subject to and in accordance with the provisions of the Act, the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed) and any applicable legislation or regulation, the Company may authorise the Directors in general meeting to purchase or otherwise acquire ordinary shares, stocks, preference shares, options, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act. The Company may deal with any such share which is so purchased or acquired by the Company in such manner as may be permitted by, and in accordance with, the Act (including without limitation, to hold such share as a treasury share). Without prejudice to the foregoing, upon cancellation of shares purchased or otherwise acquired by the Company pursuant to this Constitution and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly. Power to repurchase shares

BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES

170. The Company may, upon the recommendation of the Directors, with the sanction of an Ordinary Resolution (including any Ordinary Resolution passed pursuant to regulation 68(2)): Power to capitalise profits
- (a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:
- (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
- (ii) (in the case of an Ordinary Resolution passed pursuant to regulation 68(2)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and/or

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- (b) capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of the profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on
- (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
- (ii) (in the case of an Ordinary Resolution passed pursuant to regulation 68(2)) such other date as may be determined by the Directors),

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up and amongst them as bonus shares in the proportion aforesaid.

171. The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation under regulation 170, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for any such bonus issue and/or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all such Members.
- Directors to give effect to bonus issues and/or capitalisation
172. In addition and without prejudice to the powers provided for by regulations 170 and 171 above, the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue:
- Power to issue free shares and/or to capitalise reserves for employee share-based incentive plans
- (a) be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by Members in general meeting and on such terms as the Directors shall think fit; or

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- (b) be held by or for the benefit of non-executive Directors as part of their remuneration under regulation 103(1) and/or regulation 103(2) approved by Members in general meeting in such manner and on such terms as the Directors shall think fit.

The Directors may do all such acts and things considered necessary or expedient to give effect to any of the foregoing.

(B) RIGHTS IN RESPECT OF VOTING

GENERAL MEETINGS

73. Save as otherwise permitted under the Act, an annual general meeting shall be held once in every year and in accordance with the requirements of the Act, at such time and place as may be determined by the Directors, but not more than four (4) months shall be allowed to elapse between the end of each financial year and such general meeting, unless the Registrar authorises an extension of time to hold such general meeting or as otherwise permitted by the Act. All general meetings other than annual general meetings shall be called extraordinary general meetings. The Company shall hold all its general meetings in Singapore (unless prohibited by relevant laws and regulations in the jurisdiction of its incorporation) or such other jurisdiction as may be permitted by the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed). Annual general meetings and extraordinary general meetings
74. The Directors may whenever they think fit convene an extraordinary general meeting and an extraordinary general meeting shall also be convened on such requisition by Members in accordance with the Act or in default may be convened by such requisitioner as provided for under the Act. If at any time there are not within Singapore sufficient Directors capable of action to form a quorum at a meeting of Directors, any Director may convene an extraordinary general meeting in the same manner as nearly as possible as that in which such a meeting may be convened by the Directors. Calling for extraordinary general meetings

NOTICE OF GENERAL MEETINGS

75. Any general meeting at which it is proposed to pass Special Resolutions or (save as provided by the Statutes) a resolution of which special notice has been given to the Company pursuant to the Act, shall be called by at least twenty-one (21) clear days' notice in writing. An annual general meeting or any other general meeting shall be called by at least fourteen (14) clear days' notice in writing. The notice must specify the place, the day and the hour of the meeting. Such notice shall be given in the manner hereinafter mentioned to all Members other than those who are not under the provisions of this Constitution and the Act entitled to receive such notices from the Company. The period of notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. So long as the shares in the Company are listed on the Exchange, at least fourteen (14) Notice of meeting

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days' notice of every general meeting shall be given by advertisement in the daily press and in writing to the Exchange (and where applicable, to any other securities exchange upon which the shares in the Company are listed).

Subject to the provisions of the Act and the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed), notwithstanding that it has been called by a shorter notice than that specified above, a general meeting shall be deemed to have been duly called if it is agreed: Shorter notice

- (a) in the case of an annual general meeting by all the Members entitled to attend and vote thereat; and
- (b) in the case of an extraordinary general meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than ninety-five per cent (95%) of the total voting rights of all the Members having a right to vote at that meeting.

Provided also that the accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at the meeting. Accidental omission

76. Notice of every general meeting shall be given in any manner authorised by this Constitution to: Persons to whom notice of meeting is to be given
- (a) every Member holding shares conferring the right to attend and vote at the meeting who at the time of the convening of the meeting shall have paid all calls or other sums presently payable by him in respect of shares;
 - (b) every person entitled to a share in consequence of the death or bankruptcy or otherwise of a Member who but for the same would be entitled to receive notice of the meeting;
 - (c) every Director;
 - (d) the Auditors, without prejudice to regulation 180; and
 - (e) the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed).

No other person shall be entitled to receive notices of general meetings; Provided always that if the meeting is called for the alteration of the objects of the Company, the notice shall comply with the provisions of Section 33 of the Act regarding notices to debenture holders.

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77. There shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that such proxy need not be a Member. Contents of notice for general meeting
78. Routine business shall mean and include only business transacted at an annual general meeting of the following classes, that is to say: Routine and special business
- (a) receiving and adopting the financial statements, the Directors' statement, the Auditor's report and other documents required to be attached to the financial statements;
 - (b) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;
 - (c) fixing of the fees of Directors proposed to be paid under regulation 103(1);
 - (d) declaring dividends; and
 - (e) appointing or re-appointing Auditors and fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed.

Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

79. In the case of any general meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business, and if any resolution is to be proposed as a Special Resolution or as requiring special notice, the notice shall contain a statement to that effect. Notice to specify nature of special business

PROCEEDINGS AT GENERAL MEETINGS

80. No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Except as herein otherwise provided, two (2) Members present in person shall form a quorum. For the purposes of this regulation, 'Member' includes a person attending as a proxy and a corporation being a Member shall be deemed to be personally present if represented in accordance with the provisions of Section 179(3) of the Act and such corporation's representative is not otherwise entitled to be present at the meeting as a Member or proxy or as a corporate representative of another Member. Provided always that (i) a proxy representing more than one (1) Member shall only count as one (1) Member for the purpose of determining the quorum; and (ii) where a Member is represented by more Quorum

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than one (1) proxy such proxies shall count as only one (1) Member for the purpose of determining the quorum.

81. If within half an hour from the time appointed for the holding of a general meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting if convened on the requisition of Members shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day is a public holiday then the next business day following that public holiday) at the same time and place or to such other day, time or place as the Directors may determine. If at the adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved. Adjournment if quorum not present
82. The Chairman of the Board or, in his absence, the Deputy Chairman (if any) shall preside as Chairman at every general meeting, but if there be no such Chairman or Deputy Chairman, or if at any meeting he shall not be present within fifteen (15) minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director, or if no Director be present, or if all the Directors present decline to take the chair, one of themselves to be Chairman of the meeting. Chairman
83. The Chairman of the meeting may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty (30) days or more or sine die, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give notice of an adjournment or of the business to be transacted at an adjourned meeting. Adjournment by chairman
84. (1) If required by the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed), all resolutions at general meetings shall be voted by poll (unless such requirement is waived by the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed)). Mandatory Polling
- (2) Subject to regulation 84(1), at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:
- (a) the Chairman of the meeting; or Method of voting where mandatory polling not required

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- (b) at least two (2) Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative, and entitled to vote thereat; or
- (c) any Member or Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than five per cent (5%) of the total voting rights of all the Members having the right to vote at the meeting; or
- (d) any Member or Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than five per cent (5%) of the total sum paid up on all the shares conferring that right.

A demand for a poll made pursuant to regulation 84(2) may be withdrawn only with the approval of the Chairman of the meeting, and any such demand shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded. Unless a poll is so demanded (and the demand is not withdrawn), a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

- 85. In the case of an equality of votes whether on a poll or on a show of hands, the Chairman shall be entitled to a second or casting vote in addition to the vote or votes to which he may be entitled to as a Member or as a proxy of a Member. Equality of votes
- 86. Subject to regulation 87, where a poll is taken, it shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time (not being more than thirty (30) days from the date of the meeting) and place as the Chairman of the meeting may direct and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken. No notice need be given of a poll not taken at once. In case of any dispute as to the admission or rejection of a vote, the Chairman shall determine the same How a poll is to be taken

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and such determination made in good faith shall be final and conclusive. The Chairman of the meeting may (and, if required by the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed) or if so directed by the meeting shall) appoint scrutineer(s) and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

87. A poll on the election of a Chairman of a meeting or on a question of adjournment shall be taken immediately. A poll on any other question shall be taken either immediately or at such subsequent time as the Chairman of the meeting may direct. No notice need be given of a poll not taken at once. Time for taking a poll
88. Subject to the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed), if at any general meeting any votes shall be counted which ought not to have been counted or might have been rejected, or if votes are not counted which ought to have been counted, the error shall not vitiate the result of the vote unless it is pointed out at the same meeting at which the vote is taken or at any adjournment thereof, and is in the opinion of the Chairman of sufficient magnitude to vitiate the result of the voting. The decision of the Chairman of the meeting on such matters shall be final and conclusive. Error in counting votes
89. The Members may, if the Directors at their absolute discretion deem fit, participate at a general meeting by telephone or video conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear and, if applicable, see each other and such participation shall constitute presence in person at such meeting and Members (or their proxy or, in the case of a corporation, their respective corporate representatives) so participating shall be counted in the quorum for the meeting. Such a meeting shall be deemed to take place where the largest group of Members (or their proxy, or in the case of a corporation, their respective corporate representatives) present for purposes of the meeting is assembled or, if there is no such group, where the Chairman of the meeting is present. Meetings via electronic means

VOTES OF MEMBERS

90. (1) Each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. Voting rights of Members
- (2) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to regulation 9, every Member who is present in person or by proxy, attorney or corporate representative (as applicable) shall have one (1) vote for every share which he holds or represents, Provided always that:

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- (a) where a Member is represented by one (1) or more proxies and the voting is conducted by way of a poll, the provisions of regulation 94 shall apply; and
 - (b) where a Member who is not a relevant intermediary is represented by two (2) proxies, only one (1) of the two (2) proxies as determined by that Member, or failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and
 - (c) where a Member who is a relevant intermediary is represented by two (2) or more proxies, each proxy shall be entitled to vote on a show of hands.
- (3) For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any general meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at seventy-two (72) hours (or any such time permitted under the Statutes) before the time of the relevant general meeting as certified by the Depository to the Company.
91. A Member who is mentally disordered or whose person or estate is liable to be dealt with in any way under the law relating to mental capacity may vote, whether on a show of hands or on a poll, by his committee, curator bonis or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, but no person claiming to vote pursuant to this regulation shall do so unless such evidence as the Directors may require of his authority shall have been deposited at the Office not less than seventy-two (72) hours before the time for holding the meeting at which he wishes to vote. Voting rights of Members who are mentally disordered
92. In the case of joint Members, any one (1) of such Members may vote and be reckoned in a quorum at any general meeting, whether in person or by proxy, but if more than one (1) such Member is present at the meeting, then in voting upon any question, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders of the share and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or the Depository Register (as the case may be). Several executors, trustees or administrators of a deceased Member in whose name any share stands shall for the purpose of this regulation be deemed joint holders thereof. Voting rights of joint holders

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93. Save as expressly provided herein or in the Act, no person other than a Member duly registered, and only in respect of shares upon which all calls due to the Company have been paid, shall be entitled to be present or to vote on any question, either personally or by proxy, attorney or representative at any general meeting. Right to vote
94. (1) Subject to the provisions of the Statutes: Appointment of proxies
- (a) a Member who is not a relevant intermediary may appoint not more than two (2) proxies to attend, speak and vote at the same general meeting. Where such Member's form of proxy appoints more than one (1) proxy, the proxy form shall specify the proportion of the Member's shareholding to be represented by each proxy and if no such proportion is specified, the first named proxy shall be deemed to represent 100% of the shareholdings and any second-named proxy shall be deemed to be an alternate to the first-named; and
 - (b) a Member who is a relevant intermediary may appoint more than two (2) proxies to attend, speak and vote at the same general meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member, and the proxy form shall specify the number and class of shares in relation to which each proxy has been appointed. If the form does not specify the required information, the first-named proxy shall be deemed to represent 100% of the shareholdings.
- (2) In any case where a Member is a Depositor, the Company shall be entitled: Shares entered in Depository Register
- (a) to reject any instrument of proxy lodged by that Depositor if he is not shown to have any shares entered against his name in the Depository Register as at seventy-two (72) hours (or any such time permitted under the Statutes) before the time of the relevant general meeting as certified by the Depository to the Company; and
 - (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by that Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at seventy-two (72) hours (or any such time permitted under the Statutes) before the time of the relevant general meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

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| (3) | The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy. | Notes and instructions |
| (4) | A proxy or attorney need not be a Member. | Proxy need not be a Member |
| (5) | Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant general meeting by the Member personally or by his attorney, or in the case of a corporation by its representative. | |
| (6) | A Member who has deposited an instrument appointing any number of proxies to vote on his behalf at a general meeting shall not be precluded from attending and voting in person at that general meeting. Any such appointment of all the proxies concerned shall be deemed to be revoked upon the attendance of the Member appointing the proxy/proxies at the relevant general meeting. | Attendance of Member at meeting |
| 95. | (1) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:

(a) in the case of an individual, shall be:

(i) signed by the appointor or his attorney if the instrument is delivered personally or sent by post; or

(ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a corporation, shall be:

(i) either given under its common seal, executed as a deed in accordance with the Act or signed on its behalf by an attorney or a duly authorised officer of the corporation, or in some other manner approved by the Directors, if the instrument is delivered personally or sent by post; or

(ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication. | Execution of proxies |

The Directors may, for the purposes of this regulation, designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

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- (2) The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to regulation 96(1), failing which the instrument may be treated as invalid. Witness and authority
- (3) The Directors may, in their absolute discretion: Directors may approve method and manner, and designate procedure, for electronic communications
- (a) approve the method and manner for an instrument appointing a proxy to be authorised; and
- (b) designate the procedure for authenticating an instrument appointing a proxy,
- as contemplated in regulations 95(1)(a)(ii) and 95(1)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether of a class or otherwise), regulation 95(1)(a)(i) and/or (as the case maybe) regulation 95(1)(b)(i) shall apply.
- (4) The instrument appointing a proxy shall be deemed to confer authority generally to act at the meeting for the Member giving the proxy, including authority to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.
96. (1) An instrument appointing a proxy: Deposit of proxies
- (a) if sent personally or by post, must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office); or
- (b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting,
- and in either case, not less than seventy-two (72) hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as

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well for any adjournment of the meeting as for the meeting to which it relates; Provided always that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered in accordance with this regulation 96 for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

- (2) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in regulation 96(1)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), regulation 96(1)(a) shall apply. Directors may specify means for electronic communications
- (3) In the event that forms of proxy are sent to Members together with any notice of meeting, the accidental omission to include the form of proxy to, or the non-receipt of such form of proxy by, any person entitled to receive a notice of meeting shall not invalidate any resolution passed or any proceeding at any such meeting. Accidental omission of proxy form
97. Unless otherwise directed by the Chairman of the meeting, a vote cast by proxy shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made, Provided always that no intimation in writing of such death, mental disorder or revocation shall have been received by the Company at the Office at least one (1) hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast. Intervening death or mental disorder of Member
98. Any corporation which is a Member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member. The Company shall be entitled to treat a certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this regulation. Corporations acting via representative
99. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision as to its validity shall be final and conclusive. Objections

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100. Subject to this Constitution and any applicable legislation, the Board may, at its sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail, or facsimile. Voting in absentia

DIRECTORS

103. (1) The fees of the Directors shall be determined from time to time by an Ordinary Resolution of the Company and such fees shall (unless such resolution otherwise provides) not be increased except pursuant to an Ordinary Resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the meeting. Such fees shall (unless such resolution otherwise provides) be divided among the Directors in such proportions and manner as they may agree and in default of agreement equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such fee is payable shall be entitled only to rank in such division for the proportion of fee related to the period during which he has held office. Fees for Directors
- (2) Any Director who holds any executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the Directors are outside the scope of his ordinary duties as a Director, may, subject to the Act, be paid such extra remuneration as the Directors may determine, subject however as is hereinafter provided in this regulation. Such extra remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by a lump sum or by way of salary, or, except in the case of a non-executive Director, by a percentage of profits, or by any or all of those modes. Extra remuneration
- (3) The fees (including any remuneration under regulation 103(2) above) in the case of a non-executive Director shall comprise: (i) fees which shall be a fixed sum and/or (ii) such fixed number of shares in the capital of the Company, and shall not at any time be by commission on, or percentage of, the profits or turnover. Salaries payable to Executive Directors may not include a commission on, or percentage of turnover. Remuneration by fixed sum
106. (1) Other than the office of auditor, a Director may hold any other office or place of profit in the Company and he or any firm of which he is a member or any company of which he is a Director or shareholder may act in a professional capacity for the Company in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. Power of Directors to hold office of profit and to contract with Company

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Subject to the Act, no Director or intending Director shall be disqualified by his office from contracting or entering into any arrangement with the Company whether as vendor, purchaser, lessor, lessee, mortgagor, mortgagee, manager, agent, broker or otherwise howsoever nor shall such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested whether directly or indirectly be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established. Provided always that he has complied with the requirements of Section 156 of the Act as to disclosure.

- (2) Every Director and any relevant officer of the Company (to whom Section 156 of the Act applies) shall observe the provisions of Section 156 of the Act relating to the disclosure of the interests in transactions or proposed transactions with the Company or of any office or property held by him which might create duties or interests in conflict with his duties or interests as a Director or such officer (as the case may be). Notwithstanding such disclosure, a Director shall not vote in regard to any transaction or arrangement or any other proposal whatsoever in which he has directly or indirectly a personal material interest although he shall be taken into account in ascertaining whether a quorum is present.
- (3) The provisions of regulation 106(2) may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction by the Company in general meeting, and any particular contract, arrangement or transaction carried out in contravention of this regulation may be ratified by Ordinary Resolution of the Company, or as otherwise provided in this Constitution.
108. The Company in general meeting may, subject to the provisions of this Constitution and any requirements of the Act, by Ordinary Resolution of which special notice has been given to all Members entitled to receive notices, from time to time remove any Director before the expiration of his period of office (notwithstanding anything in this Constitution or in any agreement between the Company and such Director) and appoint another person in place of the Director so removed (and any person so appointed shall be subject to retirement by rotation at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director), and may increase or reduce the number of Directors, and may alter their share qualifications (if any). Such removal shall be without prejudice to any claim such Director may have for damages for breach of any contract of service between him and the Company. In default of such appointment the vacancy so arising may be filled

Directors and relevant officer of Company to observe Section 156 of the Act

Removal of Director and change in maximum number of Directors

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by the Directors as a casual vacancy in accordance with regulation 115. Until otherwise determined by a general meeting, there shall be no maximum number of Directors.

ROTATION OF DIRECTORS

113. The Company at the meeting at which a Director retires under any provision of this Constitution may by Ordinary Resolution fill the vacated office by electing thereto the retiring Director or some other person eligible for appointment. In default the retiring Director shall be deemed to have been re-elected, unless:
- Deemed reappointed
- (a) at such meeting it is expressly resolved not to fill up such vacated office or a resolution for the re-election of such Director is put to the meeting and lost; or
 - (b) such Director is disqualified under the Act from holding office as a Director or has given notice in writing to the Company that he is unwilling to be re-elected; or
 - (c) such Director is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds; or
 - (d) the default is due to the moving of a resolution in contravention of Section 150 of the Act.

The retirement shall not take effect until the conclusion of the meeting (except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost) and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

114. No person, other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for appointment as a Director at any general meeting unless not less than eleven (11) nor more than forty-two (42) clear days (exclusive of the date on which the notice is given) before the date appointed for the meeting there shall have been left at the Office (i) a notice in writing signed by some Member (other than the person to be proposed), duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election or (ii) a notice in writing duly signed by the nominee giving his consent to the nomination and signifying his candidature for the office, Provided always that, in the case of a person recommended by the Directors for election, not less than nine (9) clear days' notice only shall be necessary, and notice of each and every candidate for election shall be served on all Members at least seven (7) days prior to the meeting at which the election is to take place.
- Notice of intention to appoint Director

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115. The Company may by Ordinary Resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director but the total number of Directors shall not at any time exceed the maximum number (if any) fixed by this Constitution. Without prejudice thereto, the Directors shall have power at any time and from time to time to do so, but any person so appointed by the Directors shall hold office only until the next annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.
- Directors' power to fill casual vacancies and to appoint additional Directors

PROCEEDINGS OF DIRECTORS

148. Subject to the Act and to the generality of regulation 141, any resolution passed by the Directors notice whereof has been given to the Members in the manner in which notices are herein directed to be given and which has within one (1) month after it was so passed been ratified and confirmed in writing by Members entitled to three-fourths of the votes shall be as valid and effectual as a resolution of a general meeting but this regulation shall not apply to a resolution for winding up of the Company or to a resolution passed in respect of any matter which by the Act or these presents ought to be dealt with by a special resolution.
- Resolutions of Directors requiring ratification by Members

NOTICES

181. Any notice or document (including a share certificate) may be served on or delivered to any Member either personally or by sending it through the post in a prepaid cover addressed to such Member at his registered address appearing in the Register of Members or (as the case may be) the Depository Register, or (if he has no registered address within Singapore) to the address, if any, within Singapore supplied by him to the Company or (as the case may be) supplied by him to the Depository as his address for the service of notices, or by delivering it to such address as aforesaid. Where a notice or other document is served or sent by post, service or delivery shall be deemed to be effected at the time when the cover containing the same is posted, and in proving such service or delivery, it shall be sufficient to prove that such cover was properly addressed, stamped and posted. When a given number of days' notice or notice extending over any other period is required to be given, the day of service shall not, unless otherwise provided for or required by these regulations or by the Act, be counted in such number of days or period.
- Service of notice
182. (1) Without prejudice to the provisions of regulation 181 but subject otherwise to the Act and any regulations made thereunder and the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed) relating to electronic communications, any notice or document (including, without limitation, any accounts, balance sheets, financial statements, circulars or reports) which is required or permitted to be
- Service by electronic communications

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given, sent or served under the Act or under this Constitution by the Company, or by the Directors, to a Member or officer or Auditor of the Company may be given, sent or served using electronic communications (including by electronic mail or short message service):

- (a) to the current address of that person;
- (b) by making it available on a website prescribed by the Company from time to time; or
- (c) in such manner as such Member expressly consents to by giving notice in writing to the Company,

in accordance with the provisions of this Constitution, the Statutes, the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed) and/or any other applicable regulations or procedures.

- (2) For the purposes of regulation 182(1), a Member shall be implied to have agreed to receive such notice or document by way of such electronic communications and shall not have a right to elect to receive a physical copy of such notice or document. Implied consent
- (3) Notwithstanding regulation 182(2) above, the Directors may, at their discretion, at any time give a Member an opportunity to elect within a specified period of time whether to receive such notice or document by way of electronic communications or as a physical copy, and such Member shall be deemed to have consented to receive such notice or document by way of electronic communications if he was given such an opportunity and he failed to make an election within the specified time, and he shall not in such an event have a right to receive a physical copy of such notice or document. Deemed consent
- (4) Notwithstanding regulations 181(2) and 181(3) above, the Company shall send to the Members physical copies of such notices or documents as may be specified by law or the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed), and shall inform the Members as soon as practicable of how to request a physical copy of such notice or document and provide a physical copy of such notice or document upon such a request. Physical copies
- (5) Where a notice or document is given, sent or served by electronic communications:
 - (a) to the current address of a person pursuant to regulation 182(1)(a), it shall be deemed to have been duly given, sent or served at the time of transmission of the electronic communications deemed served

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communication by the email server or facility operated by the Company, its service provider or agent, to the current address of such person (notwithstanding any delayed receipt, non-delivery or “returned mail” reply message or any other error message indicating that the electronic communication was delayed or not successfully sent), unless otherwise provided under the Act and/or the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed); and

- (b) by making it available on a website pursuant to regulation 182(1)(b), it shall be deemed to have been duly given, sent or served on the date on which the notice or document is first made available on the website, unless otherwise provided under the Act and/or the listing rules of the Exchange (and where applicable, any other securities exchange upon which the shares in the Company are listed).

- (6) Where a notice or document is given, sent or served to a Member by making it available on a website pursuant to regulation 182(1)(b), the Company shall give separate notice to the Member of the publication of the notice or document on that website and the manner in which the notice or document may be accessed by sending such separate notice to the Member personally or through the post pursuant to regulation 181. Notice to be given of service on website
183. All notices, communications and/or documents (including a share certificate) with respect to any share to which persons are jointly entitled, shall be given to whichever of such persons is named first in the Register of Members or the Depository Register (as the case may be), and notice so given shall be sufficient notice to all the holders of such shares. For such purpose a joint holder having no registered address in Singapore and not having supplied an address within Singapore for the service of notices shall be disregarded. Service of notices to joint holders
184. Any Member described in the Register of Members or the Depository Register (as the case may be) by an address not within Singapore who shall from time to time give notice in writing to the Company or the Depository of an address within Singapore at which notices, communications and/or documents may be served upon him shall be entitled to have served upon him at such address any notice, communications and/or documents to which he would be entitled under this Constitution but, save as aforesaid, no Member other than a Member with a registered address within Singapore shall be entitled to receive any notice, communications and/or documents from the Company. Service on overseas Members
185. A person entitled to a share in consequence of the death or bankruptcy of a Member upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, and upon supplying also to Service of notice after death or bankruptcy

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the Company or (as the case may be) the Depository an address within Singapore for the service of notices, shall be entitled to have served upon or delivered to him at such address any notice or document to which the Member but for his death or bankruptcy would have been entitled, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share. Save as aforesaid any notice or document delivered or sent by post to or left at the address of any Member or given, sent or served to any Member using electronic communications in pursuance of this Constitution shall, notwithstanding that such member be then dead or bankrupt or in liquidation, and whether or not the Company shall have notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any share registered in the name of such Member in the Register of Members or, where such member is a Depositor, entered against his name in the Depository Register as sole or first-named joint holder.

186. Any notice on behalf of the Company or of the Directors shall be deemed effectual if it purports to bear the signature of the Secretary or other duly authorised officer of the Company, whether such signature is printed or written. Signature on notice
187. Any summons, notice, order or other document required to be sent to or served upon the Company, or upon any officer of the Company may be sent or served by leaving the same or sending it through registered mail in a prepaid letter, addressed to the Company or to such officer at the Office. Service on Company

(C) RIGHTS IN RESPECT OF DIVIDENDS

DIVIDENDS AND RESERVES

157. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted by the Act, (a) all dividends shall be declared and paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and (b) all dividends shall be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly. For the purposes of this regulation, no amount paid or credited as paid on a share in advance of a call shall be treated as paid on the share. Apportionment of dividends

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158. The Directors may, from time to time, set aside out of the profits of the Company and carry to reserve, such sum or sums as they think proper which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may properly be applied and pending such application, may either be employed in the business of the Company or be invested. The Directors may divide the reserve fund into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same the Directors shall comply with the provisions (if any) of the Statutes.
- Power to set aside profits as reserve
159. The Directors may, upon the recommendation of the Directors and with the sanction of an Ordinary Resolution at a general meeting, from time to time declare dividends, but no such dividend shall (except as by the Statutes expressly authorised) be payable otherwise than out of the profits of the Company. No higher dividend shall be paid than is recommended by the Directors and a declaration by the Directors as to the amount of the profits at any time available for dividends shall be conclusive. The Directors may, if they think fit, and if in their opinion the profits of the Company justifies such payment, without any such sanction as aforesaid, from time to time declare and pay fixed dividends (either in cash or in specie) on any class of shares carrying a fixed dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and may also from time to time pay to the holders of any class of shares interim dividends of such amounts and on such dates and in respect of such periods as they may think fit.
- Declaration and payment of dividends
- Interim dividends
160. The Company may upon the recommendation of the Directors by Ordinary Resolution, direct payment of a dividend in whole or in part in specie by the distribution of specific assets (and in particular of paid-up shares or debentures or debenture stock of any other company or any combination of any specific assets) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof, and may determine that cash payments shall be made to any Members in terms of the value so fixed, in order to adjust the rights of all parties. The Directors may vest any such specific assets in trustees as may seem expedient to the Directors and no valuation, adjustment or arrangement so made shall be questioned by any Member.
- Payment of dividends in specie
161. (1) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on shares of a particular class in the capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of shares of that class credited as fully
- Scrip Dividends

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paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:

- (a) the basis of any such allotment shall be determined by the Directors;
- (b) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of shares of the relevant class credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid. The Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend(s) or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this regulation;
- (c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded, provided that the Directors may determine, either generally or in specific cases, that such right shall be exercisable in respect of the whole or any part of that portion; and
- (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on the shares of the relevant class in respect of which the share election has been duly exercised (the "elected shares") and in lieu of cash and in satisfaction thereof shares of the relevant class shall be allotted and credited as fully paid to the holders of the elected shares on the basis of allotment determined as aforesaid. For such purpose, and notwithstanding the provisions of regulation 170, the Directors shall (i) capitalise and apply out of the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sums as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and among the holders of the elected shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected shares towards payment of the appropriate number of shares of the relevant class for allotment and distribution to and among the holders of the elected shares on such basis.

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- (2) (a) The shares of the relevant class allotted pursuant to the provisions of paragraph (1) of this regulation shall rank *pari passu* in all respects with the shares of that class then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify. Ranking of shares and other actions
- (b) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (1) of this regulation, with full power to make such provisions as they may think fit in the case of shares of the relevant class becoming distributable in fractions (including, notwithstanding any provision to the contrary in this Constitution, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the Members) and to authorise any person to enter on behalf of the Members interested into agreement(s) with the Company providing for any such appropriation, capitalisation, application, payment and distribution of funds and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
- (3) The Directors may, on any occasion when they resolve as provided in paragraph (1) of this regulation, determine that the rights of election under that paragraph shall not be made available to the persons who are registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit and, in such event, the provisions of this regulation shall be read and construed subject to such determination. Record date
- (4) The Directors may, on any occasion when they resolve as provided in paragraph (1) of this regulation, further determine that :- Cash in lieu of shares
- (a) no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register of Members (or as the case may be) the Depository Register are outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and, in such event, the only entitlements of the Members aforesaid shall be

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to receive in cash the relevant dividend resolved or proposed to be paid or declared; and

- (b) no allotment of shares or rights of election for shares under paragraph (1) of this regulation shall be made available or made to a person, or any persons, if such allotment or rights of election would in the opinion of the Directors cause such person, or such persons, to hold or control voting shares in excess of any shareholding or other limits which may from time to time be prescribed in any Statute, without the approval of the applicable regulatory or other authority as may be necessary.

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| (5) | Notwithstanding the foregoing provisions of this regulation, if at any time after the Directors' resolution to apply the provisions of paragraph (1) of this regulation in relation to any dividend but prior to the allotment of shares pursuant thereto, the Directors shall consider that, by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever, it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interests of the Company, cancel the proposed application of paragraph (1) of this regulation. | Cancellation |
| 162. | No shareholder shall be entitled to receive any dividend or to be present or vote at any meeting or upon a poll, or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any). | No right to dividends where calls outstanding |
| 163. | The Directors may deduct from any dividend or other moneys payable to a Member in respect of any share held by such Member, either alone or jointly with any other Member, any or all sums of money as may be due and payable by him, either alone or jointly with any other person in respect of any debts, liabilities or engagements to the Company on account of calls or otherwise towards satisfaction (in whole or in part) of such debts, liabilities or engagements, or any other account which the Company is required by law to deduct. | Deduction from debts due to Company |
| 164. | A transfer of a share shall not pass the right to any dividend declared in respect thereof before the transfer has been registered. | Effect of transfer of Shares |
| 165. (1) | The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. | Retention of dividends on shares subject to lien |

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- (2) The Directors may retain the dividends payable on shares in respect of which any person is under this Constitution, as to the transmission of shares, entitled to become a Member, or which any person under this Constitution is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same. Retention of dividends on shares pending transmission
166. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company. Waiver of dividends
167. (1) Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto (or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or (as the case maybe) to the Depository for distribution to the Depositors entitled thereto or to such Member or person at such address as such persons may in writing direct or by such means (including, by electronic means) as the Directors may decide at their absolute discretion. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby and the Company shall not be responsible for the loss of any cheque or warrant sent through the post, which shall be sent by post duly addressed to the Member for whom it is intended. Dividend paid by cheque or warrant
- (2) Notwithstanding the provisions of paragraphs (1) and (3) of this regulation, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment. Payment to Depository good discharge
- (3) Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such dividend of transferors and transferees of any such shares. Resolution declaring dividends

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168. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or any such moneys unclaimed after a period of six (6) years from the date they are first payable may be forfeited and if so forfeited, shall revert to the Company. However, the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividends or moneys so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six (6) years has elapsed from the date such dividend or other moneys are first payable. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends or moneys, howsoever and whatsoever.
- Unclaimed dividends or other moneys
169. No dividend or other monies payable on or in respect of a share shall bear interest as against the Company.
- No interest on dividends