

**CIRCULAR DATED 2 OCTOBER 2007**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

Unless otherwise stated, capitalised terms on this cover are defined in this Circular under the section entitled "DEFINITIONS".

The Singapore Exchange Securities Trading Limited (the "SGX-ST") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular. Approval in-principle has been granted by the SGX-ST to Indofood Agri Resources Ltd. (the "Company") for the listing and quotation of the Consideration Shares on the SGX Mainboard subject to certain conditions. The Company may in its absolute discretion waive any of the said conditions in the event that the SGX-ST waives compliance of the same. Approval in-principle granted by the SGX-ST to the Company for the admission, listing and quotation of the Consideration Shares on the SGX Mainboard are not to be taken as an indication of the merits of the Company, its subsidiaries, any of the Proposed Transactions, the Lonsum Group or the Shares (including the Consideration Shares).

If you have sold or transferred all your Shares, you should forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.



**INDOFOOD AGRI RESOURCES LTD.**

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

**CIRCULAR TO SHAREHOLDERS**

in relation to

- (A) **The proposed acquisition by the Company's subsidiary, PT Salim Ivomas Pratama ("PT SIMP"), of (i) an aggregate of 500,095,000 issued ordinary shares ("Lonsum Shares") in the share capital of PT Perusahaan Perkebunan London Sumatra Indonesia Tbk ("Lonsum") and (ii) US\$47,000,000 mandatory convertible notes due 2009 ("MCNs") issued by Lonsum, representing an aggregate interest of approximately 56.4% of the enlarged issued share capital of Lonsum assuming conversion of the MCNs (the "Enlarged Capital"), for a total cash consideration of approximately S\$810.0 million;**
- (B) **The proposed acquisition by the Company of 109,521,000 Lonsum Shares, representing an interest of approximately 8.0% of the Enlarged Capital, for a consideration of approximately S\$125.1 million to be satisfied by the allotment and issue of 98,082,830 new Shares in the share capital of the Company at the issue price of S\$1.2758 per new Share; and**
- (C) **The proposed acquisition by PT SIMP of the remaining Lonsum Shares, representing approximately 35.6% of the Enlarged Capital, by way of a tender offer.**

**Financial Adviser to Indofood Agri Resources Ltd.**



**Kim Eng Capital Pte. Ltd.**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200207700C)

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form : 21 October 2007 at 4.00 p.m.  
Date and time of Extraordinary General Meeting : 23 October 2007 at 4.00 p.m.  
Place of Extraordinary General Meeting : Belvedere, 4th Floor, Grand Tower  
Meritus Mandarin Singapore  
333 Orchard Road  
Singapore 238867

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## DEFINITIONS

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The following definitions shall apply throughout unless otherwise stated in this Circular:-

### Companies, Organisations and Agencies

<i>“Ashmore Funds”</i>	:	Certain funds that have appointed, directly or indirectly, Ashmore Investment Management Limited as their investment manager
<i>“BAPEPAM-LK”</i>	:	Badan Pengawas Pasar Modal dan Lembaga Keuangan, or the Indonesian Capital Markets and Financial Institutions Supervisory Agency
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Company”</i>	:	Indofood Agri Resources Ltd.
<i>“First Durango”</i>	:	First Durango Singapore Pte. Limited
<i>“First Pacific”</i>	:	First Pacific Company Limited
<i>“Group”</i>	:	The Company and its subsidiaries
<i>“Hong Kong Stock Exchange”</i>	:	The Stock Exchange of Hong Kong Limited
<i>“Kim Eng”</i>	:	Kim Eng Capital Pte. Ltd.
<i>“Lonsum”</i>	:	PT Perusahaan Perkebunan London Sumatra Indonesia Tbk
<i>“Lonsum Group”</i>	:	Lonsum and its subsidiaries
<i>“PT ISM”</i>	:	PT Indofood Sukses Makmur Tbk
<i>“PT SIMP”</i>	:	PT Salim Ivomas Pratama, a 90 per cent.-owned subsidiary of the Company
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited

### General

<i>“Aggregate Consideration”</i>	:	The aggregate consideration for the Proposed Acquisition and the Tender Offer (assuming full acceptances of the Tender Offer) amounting to approximately Rp9.1 trillion (which is equivalent to approximately S\$1.5 billion)
<i>“Alternative Proposal”</i>	:	Has the meaning ascribed to it in Section 2.4.3 of this Circular
<i>“Ashmore Sale Shares”</i>	:	The 60,895,000 Lonsum Shares to be acquired by PT SIMP from the Ashmore Funds pursuant to the FDS and Ashmore Acquisition
<i>“Board”</i>	:	The board of directors of the Company from time to time
<i>“Business Day”</i>	:	A day excluding a Saturday, Sunday or public holiday on which banks are open for business in Indonesia, Singapore, Hong Kong and London and, if on that day a transfer of funds in US\$ is to be made under the S&P Agreement, then a day on which banks in New York City are also open for business

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## DEFINITIONS

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<i>“Cash Consideration”</i>	:	The US\$ equivalent at the Exchange Rate, of approximately Rp5.0 trillion (which is equivalent to approximately S\$810.0 million), being the Purchase Price multiplied by the aggregate number of FDS Sale Shares, Ashmore Sale Shares and Conversion Shares
<i>“Circular”</i>	:	This circular dated 2 October 2007 to Shareholders
<i>“Companies Act”</i>	:	The Companies Act, Chapter 50 of Singapore
<i>“Completion Date”</i>	:	The date of completion of the FDS and Ashmore Acquisition
<i>“Consideration Shares”</i>	:	98,082,830 new Shares to be issued at the Issue Price in consideration for the acquisition of the ES Sale Shares pursuant to the ES Acquisition
<i>“Controlling Shareholder”</i>	:	In relation to the Company means:  (a) a person who has an interest in the voting Shares of the Company and exercises control over the Company; or  (b) a person who has an interest in the voting Shares of the Company of an aggregate of 15% or more of the total votes attached to all the voting Shares in the Company
<i>“Conversion Shares”</i>	:	The 269,343,500 fully paid new Lonsum Shares that are required to be issued upon conversion of the MCNs
<i>“Directors”</i>	:	The directors of the Company as at the date of this Circular
<i>“EGM”</i>	:	The Extraordinary General Meeting of the Company, notice of which is given on page 37 of this Circular
<i>“Enlarged Capital”</i>	:	Enlarged issued share capital of Lonsum assuming conversion of the MCNs
<i>“EPS”</i>	:	Earnings per Share
<i>“ES”</i>	:	Mr Eddy Kusnadi Sariaatmadja
<i>“ES Acquisition”</i>	:	The acquisition by the Company of the ES Sale Shares from ES for the ES Purchase Price to be satisfied by the issue of the Consideration Shares
<i>“ES Completion”</i>	:	Has the meaning ascribed to it in Section 2.4.2 of this Circular
<i>“ES Purchase Price”</i>	:	Approximately S\$125.1 million, being the S\$ equivalent at the agreed exchange rate of S\$1 : Rp5,688.99, of approximately Rp711.9 billion, being the Purchase Price multiplied by the number of ES Sale Shares
<i>“ES Sale Shares”</i>	:	The 109,521,000 Lonsum Shares to be acquired by the Company from ES pursuant to the ES Acquisition

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## DEFINITIONS

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<i>“Exchange Rate”</i>	:	US\$/Rp exchange rate calculated based on the 7 Indonesian Business Days average of the closing mid-rates quoted on the Central Bank of Indonesia immediately prior to and ending on the date which is 7 days prior to the date falling 2 Business Days prior to the Completion Date
<i>“FDS and Ashmore Acquisition”</i>	:	The acquisition by PT SIMP of the FDS Sale Shares from First Durango and the Ashmore Sale Shares and MCNs from the Ashmore Funds for the Cash Consideration
<i>“FDS and Ashmore Completion”</i>	:	Has the meaning ascribed to it in Section 2.4.1 of this Circular
<i>“FDS Sale Shares”</i>	:	The 439,200,000 Lonsum Shares to be acquired by PT SIMP from First Durango pursuant to the FDS and Ashmore Acquisition
<i>“FP2007”</i>	:	The 4-month period ended 30 April 2007
<i>“FY”</i>	:	Financial year ended, or as the case may be, ending 31 December
<i>“IFRS”</i>	:	International Financial Reporting Standards
<i>“Indonesian Business Day”</i>	:	A day excluding Saturday, Sunday or public holiday on which banks are open for business in Indonesia
<i>“Indonesian GAAP”</i>	:	Generally accepted accounting principles in Indonesia
<i>“Issue Price”</i>	:	The issue price of S\$1.2758 for each Consideration Share
<i>“Latest Practicable Date”</i>	:	24 September 2007, being the latest practicable date prior to the printing of this Circular
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended from time to time
<i>“Lonsum Shares”</i>	:	Ordinary shares in the share capital of Lonsum
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for securities trading
<i>“MCNs”</i>	:	The mandatory convertible notes due 2009 issued by Lonsum which are convertible at face value into 269,343,500 fully paid new Lonsum Shares
<i>“NAV”</i>	:	Net asset value
<i>“Notice of EGM”</i>	:	The Notice of EGM as set out on page 37 of this Circular
<i>“NTA”</i>	:	Net tangible assets
<i>“Proposed Acquisition”</i>	:	The FDS and Ashmore Acquisition and the ES Acquisition

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## DEFINITIONS

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<i>“Proposed Consideration Shares Issue”</i>	:	The proposed issue of the Consideration Shares pursuant to the ES Acquisition
<i>“Proposed Transactions”</i>	:	The Proposed Acquisition, including the Proposed Consideration Shares Issue, and the Tender Offer
<i>“PT ISM Loan”</i>	:	Has the meaning ascribed to it in Section 2.3.3 of this Circular
<i>“Purchase Price”</i>	:	Rp6,500 per Lonsum Share
<i>“S&amp;P Agreement”</i>	:	The conditional sale and purchase agreement dated 25 May 2007 entered into between PT SIMP, the Company and the Vendors in relation to the Proposed Acquisition, as amended by the Supplemental Agreement and any other supplements and modifications thereto
<i>“Securities Account”</i>	:	Securities account maintained by a Depositor with CDP but does not include a securities sub-account
<i>“SFRS”</i>	:	Singapore Financial Reporting Standards
<i>“SGX Mainboard”</i>	:	Mainboard of the SGX-ST
<i>“Shareholders”</i>	:	Persons who are registered as holders of Shares in the Register of Members of the Company, or where CDP is the registered holder, the term <b>“Shareholders”</b> shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
<i>“Shares”</i>	:	Ordinary shares in the share capital of the Company
<i>“Substantial Shareholder”</i>	:	A person who has an interest in one or more voting shares in a company and the total votes attached to such share(s) is not less than 5% of the total votes attached to all the voting shares in the company
<i>“Supplemental Agreement”</i>	:	The supplemental agreement dated 28 August 2007 between the Company, PT SIMP and the Vendors to amend certain terms of the S&P Agreement
<i>“Tender Offer”</i>	:	The tender offer under BAPEPAM-LK Rule No. IX.H.1 and Rule No. IX.F.1 for all the Lonsum Shares excluding the FDS Sale Shares, the Ashmore Sale Shares, the ES Sale Shares and for the avoidance of doubt, the Conversion Shares
<i>“Vendors”</i>	:	First Durango, the Ashmore Funds and ES

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## DEFINITIONS

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### Countries, currencies, units, and others

“Indonesia”	:	Republic of Indonesia
“MT”	:	Metric tonne
“Rp” or “Rupiah”	:	Indonesian Rupiah, the lawful currency of the Republic of Indonesia
“S\$” and “cents”	:	Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
“US\$” or “United States Dollar”, and “US cents”	:	United States dollars and cents, respectively, the lawful currency of the United States of America
“%”	:	Per centum or percentage

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The term “subsidiary” shall have the meaning ascribed to it by Section 5 of the Companies Act.

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

Unless otherwise stated, any reference in this Circular to “Rule” or “Chapter” is a reference to the relevant rule or chapter in the Listing Manual as for the time being amended.

Any reference in this Circular to any statute or enactment or the Listing Manual is a reference to that statute or enactment or the Listing Manual as for the time being amended or re-enacted. Any word defined under the Companies Act or the Listing Manual or any amendment thereof, and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act or the Listing Manual or such modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

Unless otherwise stated, the exchange rate of Rp6,174.46 : S\$1.00 and Rp9,250 : US\$1.00 were used throughout this Circular.

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## GLOSSARY OF TECHNICAL TERMS

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This glossary provides a description of certain technical terms and abbreviations used in this Circular in connection with the business of the Lonsum Group. These terms, and their assigned meanings, may not correspond to standard industry usage or common meanings, as the case may be, of these terms:-

<i>“CPO”</i>	:	Crude palm oil
<i>“FFB”</i>	:	Fresh fruit bunches of oil palm



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## LETTER TO SHAREHOLDERS

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### INDOFOOD AGRI RESOURCES LTD.

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

#### Directors

Lee Kwong Foo, Edward (*Chairman and Lead Independent Director*)  
Benny Setiawan Santoso (*Vice Chairman and Non-Executive Director*)  
Mark Julian Wakeford (*Chief Executive Officer and Executive Director*)  
Tjhie Tje Fie (*Non-Executive Director*)  
Gunadi (*Executive Director*)  
Moleonoto Tjang (*Executive Director*)  
Lim Hock San (*Independent Director*)  
Goh Kian Chee (*Independent Director*)  
Hendra Susanto (*Independent Director*)

#### Registered Office

80 Raffles Place  
#22-23 UOB Plaza 2  
Singapore 048624

2 October 2007

**To: The Shareholders of Indofood Agri Resources Ltd.**

Dear Sir / Madam

#### The Proposed Transactions

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### 1. INTRODUCTION

#### 1.1 Purpose of this Circular

On 25 May 2007, the Board announced the proposed acquisition of a majority interest in Lonsum, and that on completion of the Proposed Acquisition, the Tender Offer will be triggered.

The purpose of this Circular is to provide Shareholders with information on the Proposed Transactions, for which the approval of the Shareholders will be sought at the EGM.

This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than the Shareholders) or for any other purpose.

### 2. THE PROPOSED TRANSACTIONS

#### 2.1 Proposed Acquisition

On 25 May 2007, the Company and PT SIMP entered into the S&P Agreement with the Vendors pursuant to which, subject to the terms thereof:-

(a) PT SIMP agreed to acquire:-

- (i) from First Durango and the Ashmore Funds, an aggregate of 500,095,000 Lonsum Shares, representing approximately 45.7% of the existing issued share capital of Lonsum and 36.6% of the Enlarged Capital; and
- (ii) from the Ashmore Funds, the MCNs which are convertible at face value into the Conversion Shares, representing approximately 19.7% of the Enlarged Capital,

for the Cash Consideration of approximately Rp5.0 trillion (which is equivalent to approximately S\$810.0 million); and

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## LETTER TO SHAREHOLDERS

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- (b) the Company agreed to acquire from ES an aggregate of 109,521,000 ES Sale Shares, which ES in turn will acquire from First Durango prior to completion of the Proposed Acquisition, representing approximately 8.0% of the Enlarged Capital, in consideration for the issue by the Company of 98,082,830 Consideration Shares to ES or a company beneficially owned by ES, at the Issue Price of S\$1.2758 per Consideration Share. The Consideration Shares will represent approximately 6.8% of the total number of issued Shares (after taking into account the issue of the Consideration Shares). This will result in ES having a substantial shareholding interest of approximately 6.8% in the Company.

Assuming that all of the MCNs are converted, the Lonsum Shares (including the ES Sale Shares) agreed to be purchased by the Group pursuant to the Proposed Acquisition, which amount to an aggregate of 878,959,500 Lonsum Shares, will represent approximately 64.4% of the Enlarged Capital.

Subsequent to the announcement on 25 May 2007, the Company announced on 28 August 2007 that the Company and PT SIMP had entered into the Supplemental Agreement with the Vendors pursuant to which the parties have agreed, *inter alia*, to the extension of the cut-off dates for the satisfaction of certain conditions under the S&P Agreement.

### 2.2 Tender Offer

Lonsum is listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange. On completion of the Proposed Acquisition, a tender offer by PT SIMP for the remaining Lonsum Shares (amounting to approximately 35.6% of the Enlarged Capital) at the price of Rp6,900 per Lonsum Share as determined based on Item 8.(c) of BAPEPAM-LK Rule No. IX.H.1, will be triggered. Based on the above, the value of the Tender Offer (assuming full acceptances of the Tender Offer) is approximately Rp3.4 trillion (which is equivalent to approximately S\$542.7 million). First Durango and ES have undertaken to PT SIMP not to accept the Tender Offer in respect of any Lonsum Shares held by it/him as at the date of the Tender Offer.

### 2.3 Purchase Consideration

#### 2.3.1 Cash Consideration

The Cash Consideration was arrived at after negotiations on an arm's length basis and on a willing buyer and willing seller basis, taking into account, *inter alia*, the market price of the Lonsum Shares, the enterprise value per planted hectare and the businesses of the Lonsum Group.

Enterprise value is arrived at based on the sum of a company's market capitalisation and its short-term and long-term debts less cash and cash equivalents. Enterprise value per planted hectare is an illustrative indicator of the current market valuation of the business of a plantation company on a per planted hectare basis.

Please refer to Section 7.3.3 of this Circular for information on the highest and lowest transacted prices of Lonsum Shares on the Jakarta Stock Exchange on a monthly basis during the last 12 months and up to the Latest Practicable Date.

#### 2.3.2 Consideration Shares

The Issue Price is equal to the volume weighted average price of the Shares on 23 May 2007, being the full trading day prior to the date of the S&P Agreement.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the then existing Shares.

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## LETTER TO SHAREHOLDERS

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### 2.3.3 Aggregate Consideration for the Proposed Acquisition and the Tender Offer

The aggregate consideration for the Proposed Acquisition (comprising the Cash Consideration which is equivalent to approximately S\$810.0 million and the ES Purchase Price which is equivalent to approximately S\$125.1 million) amounts to approximately Rp5.7 trillion (which is equivalent to approximately S\$935.1 million).

The Aggregate Consideration (comprising the aggregate consideration for the Proposed Acquisition and the Tender Offer, assuming full acceptances of the Tender Offer) is approximately Rp9.1 trillion (which is equivalent to approximately S\$1.5 billion).

The Proposed Acquisition and the Tender Offer will be funded by internal resources and borrowings (other than the ES Purchase Price, which is to be satisfied by the issue of the Consideration Shares).

In respect of bank borrowings, PT SIMP has obtained (i) US\$ denominated facilities which amount in aggregate to US\$330 million (which is equivalent to approximately Rp3.05 trillion) and (ii) Rp denominated facilities which amount in aggregate to Rp2.66 trillion, from its bank lenders which amount in aggregate to approximately Rp5.7 trillion (which is equivalent to approximately S\$925.2 million). The facilities are for a tenure of 1 year and drawdown is subject to the fulfillment of certain conditions. The interest payable on the US\$ denominated facilities is the Singapore Interbank Offering Rate / London Interbank Offering Rate plus 1% per annum and the interest payable on the Rp denominated facilities is the interest rate of Sertifikat Bank Indonesia (“SBI”) plus 1% per annum. The Company has granted corporate guarantees in proportion to its 90 per cent. shareholding in PT SIMP in favour of the bank lenders of the various facilities.

In addition, PT SIMP has also accepted a loan of approximately Rp1.45 trillion (which is equivalent to approximately S\$234.8 million) from PT ISM (the “PT ISM Loan”) to finance part of the consideration for the Tender Offer. Please refer to Section 3 of this Circular for further information on the PT ISM Loan.

The balance Rp1.2 trillion (which is equivalent to approximately S\$192.7 million) of the Aggregate Consideration (other than the ES Purchase Price, which is to be satisfied by the issue of the Consideration Shares) for the Proposed Acquisition and the Tender Offer (assuming full acceptances of the Tender Offer) will be funded by internal resources of the Group.

Approximately Rp3.4 trillion (which is equivalent to approximately S\$542.7 million) out of the abovementioned borrowings and internal resources have been allocated for the purpose of financing the Tender Offer. The actual amount of borrowings utilized for the purpose of financing the Tender Offer would depend on the level of acceptances tendered pursuant to the Tender Offer. Subject to further review, the borrowings mentioned above may be refinanced in part by equity and other related fund raising. The borrowings have to be refinanced within a 12-month period unless the period of repayment is extended. The Group will be in a better position to finalise any refinancing proposals after the outcome of the Tender Offer is known.

## 2.4 **Certain Principal Terms of the Proposed Acquisition**

### 2.4.1 Conditions to the FDS and Ashmore Completion

Under the S&P Agreement (as amended by the Supplemental Agreement), completion of the FDS and Ashmore Acquisition (the “**FDS and Ashmore Completion**”) is conditional upon, *inter alia*,:-

- (a) the approval of the Tender Offer, the FDS and Ashmore Acquisition and any other transaction contemplated by the S&P Agreement by a general meeting of shareholders of each of PT SIMP, the Company, PT ISM and First Pacific (PT ISM

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## LETTER TO SHAREHOLDERS

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and First Pacific, being the parent companies of the Company) (unless, in each case, such shareholders' approval is not necessary), within the periods specified in the S&P Agreement;

- (b) the completion of due diligence (including the valuation of the assets of the Lonsum Group) to the satisfaction of PT SIMP within the period(s) specified in the S&P Agreement;
- (c) the entering into by PT SIMP of facility agreement(s) with its lenders for any necessary acquisition financing required by PT SIMP to complete the FDS and Ashmore Acquisition and evidence being provided to the Vendors (other than ES) of the satisfaction (or waiver) of all conditions precedent to drawdown (save for conditions relating to the obtaining of shareholders' approval, the approvals referred to in (e) below and legal opinions required for drawdown) within the periods specified in the S&P Agreement;
- (d) the completion and delivery to PT SIMP, at the expense of First Durango, of, *inter alia*:
  - (i) the long-form interim unaudited consolidated accounts of the Lonsum Group for the 4-month period ended 30 April 2007 under Indonesian GAAP;
  - (ii) the audited consolidated accounts of the Lonsum Group for FY2004, FY2005, FY2006 and the 4-month period ended 30 April 2007, in each case, under IFRS; and
  - (iii) the audited consolidated accounts of the Lonsum Group for the 4-month period ended 30 April 2007 under Indonesian GAAP,

(in each case) accompanied by confirmation from Lonsum and its auditors that the aforesaid accounts/reports and the information therein may be used by PT SIMP, the Company, PT ISM and First Pacific in relation to the transactions contemplated under the S&P Agreement (including announcements, circulars to shareholders, listing applications and accountants' reports and/or in relation to any financing referred to in (c) above), within the periods specified in the S&P Agreement;

- (e) all approvals and consents required from BAPEPAM-LK, Badan Koordinasi Penanaman Modal (BKPM), the Indonesian Ministry of Law and Human Rights, the Central Bank of Indonesia, the SGX-ST, the Hong Kong Stock Exchange and/or the Listing Committee of the Hong Kong Stock Exchange being obtained by PT SIMP, the Company, PT ISM and First Pacific in connection with the transactions contemplated under the S&P Agreement;
- (f) the consent of Lonsum's lenders under its US\$150,000,000 bank facility agreement dated 16 August 2006 to the proposed transfer of the Lonsum Shares by First Durango pursuant to the S&P Agreement and there being no right to, or such lenders having waived the right to, accelerate or terminate or require payment or repayment under such agreement (and no such acceleration, termination or requirement occurring or arising) as a result of the proposed transfer of and the sale and purchase of the Ashmore Sale Shares and MCNs held by the Ashmore Funds contemplated by the S&P Agreement; and
- (g) there not having been at any time after the date of the S&P Agreement any material damage or any change or any development that is reasonably likely to lead to a material damage to the total biological assets, fixed assets and plant and machinery relating to the plantation business (including but not limited to crushing plants and/or mills) owned by the Lonsum Group whether by reason of floods, fire,

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## LETTER TO SHAREHOLDERS

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explosion, acts of terrorism, acts of God, accident, earthquakes or otherwise howsoever arising, or any revocation or non-extension or non-renewal of licences or permits relating to the carrying on of the Lonsum Group's business and ownership of its assets, which has caused or causes or is likely to cause the total assets relating to the plantation business (including but not limited to crushing plants and mills) owned by the Lonsum Group to be decreased by 5% or more of the total assets relating to the plantation business owned by the Lonsum Group as at 31 March 2007.

Amongst others, the conditions set out in (a), (b), (d) and/or (g) above may be waived by PT SIMP at any time on or before the expiry of the period within which such condition(s) must be satisfied. The condition set out in (c) above may be waived by PT SIMP within 12 weeks from the date of the S&P Agreement provided that it has prior to such waiver, *inter alia*, deposited an amount equal to the Cash Consideration payable to the Vendors (other than ES) for their Lonsum Shares into an escrow account. If any of the conditions is not satisfied or waived in accordance with the S&P Agreement on or before 2 November 2007 (being the date falling 23 weeks from the date of the S&P Agreement) or the applicable time frame specified in respect of the relevant condition (whichever is earlier) or such later date (not being a date later than four (4) weeks thereof) as may be extended with the consent of the Vendors (other than ES), the S&P Agreement will automatically terminate and the parties will have no claim against the other(s) save as provided in the S&P Agreement.

As at the Latest Practicable Date, conditions (b), (c), (d) and (f) have been satisfied.

The FDS and Ashmore Completion is to take place 5 Business Days following the date of the last in time of the satisfaction or waiver (as the case may be) of the conditions or such other date as is agreed in writing between the parties. PT SIMP, First Durango and the Ashmore Funds shall not be obliged to complete the S&P Agreement unless the sale and purchase of the Lonsum Shares and the MCNs of First Durango and the Ashmore Funds is completed as simultaneously as practicable.

Pursuant to the S&P Agreement, PT SIMP has placed a deposit of US\$10 million with an escrow agent pending the FDS and Ashmore Completion. In the event the conditions to the FDS and Ashmore Completion are not fulfilled or waived (as the case may be), the deposit shall be refunded to PT SIMP unless, *inter alia*, PT SIMP fails to obtain satisfaction (except where the non-satisfaction is attributable to any of the Vendors) of (and does not waive) the condition set out in (a) above within the period specified in the S&P Agreement, or PT SIMP fails to fulfil its obligations to proceed with the FDS and Ashmore Completion in accordance with the terms of the S&P Agreement, in which event the deposit will be forfeited. Under the S&P Agreement, all conditions must be satisfied or waived (as the case may be) no later than 23 weeks from the date of the S&P Agreement or such later date as the Vendors (other than ES) may agree.

### 2.4.2 Conditions to the ES Completion

Under the S&P Agreement, completion of the ES Acquisition (the "**ES Completion**") is conditional upon, *inter alia*,:-

- (a) the approval in-principle of the SGX-ST for the listing of the Consideration Shares having been obtained no later than the FDS and Ashmore Completion;
- (b) the FDS and Ashmore Completion having occurred; and
- (c) the approval of the ES Acquisition, the issue of the Consideration Shares and any other transaction contemplated by the S&P Agreement by a general meeting of shareholders of each of the Company, PT ISM and First Pacific (unless, in each case, such shareholders' approval is not necessary).

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The condition set out in (c) above may be waived by the Company.

With regard to condition (a) above, the SGX-ST had, on 27 August 2007, granted approval in-principle for the listing and quotation of the Consideration Shares on the SGX Mainboard. It should be noted that the in-principle approval granted by the SGX-ST to the Company is not to be taken as an indication of the merits of the Company, its subsidiaries, any of the Proposed Transactions, the Lonsum Group or the Shares (including the Consideration Shares). Please refer to Section 5 of this Circular for further information.

The ES Completion is to take place on the third Business Day following the satisfaction or waiver in accordance with the S&P Agreement of the abovementioned conditions precedent to the ES Completion.

### 2.4.3 Certain other terms of the Proposed Acquisition

The S&P Agreement may be terminated by the Vendors (other than ES) if, *inter alia*, they have not received written notice from PT SIMP that the conditions in (b) and (c) under Section 2.4.1 above have been satisfied or waived within the periods specified in the S&P Agreement. The S&P Agreement may be terminated by PT SIMP if, *inter alia*, the accounts referred to in condition (d) under Section 2.4.1 above are not delivered to PT SIMP within the periods specified in the S&P Agreement.

Pursuant to the S&P Agreement, each of First Durango, ES and the Ashmore Funds has severally undertaken to PT SIMP that it shall not, unless and until the S&P Agreement is terminated pursuant to the provisions under the S&P Agreement or until the FDS and Ashmore Completion, whichever is earlier:-

- (i) make, submit, solicit, initiate or encourage the submission of proposals or offers or engage in negotiations with any person other than the Company and PT SIMP, relating to the possible acquisition of their respective Lonsum Shares or the assets of Lonsum (whether by way of purchase of shares, merger or otherwise) (an “**Alternative Proposal**”);
- (ii) furnish any non-public information regarding the Lonsum Group to any person in connection with or in response to an Alternative Proposal or potential Alternative Proposal save as may be required to be disclosed by applicable law, regulations of any relevant authority or the rules of any relevant securities exchange(s);
- (iii) engage in discussions with any persons with respect to any Alternative Proposal;
- (iv) approve, endorse, recommend, vote, or agree to vote, for any Alternative Proposal;
- (v) enter into any letter of intent or other similar document or any contract contemplating or otherwise relating to any Alternative Proposal; or
- (vi) enter into any agreement or arrangement with any person, whether conditionally or unconditionally, to do all or any of the acts referred to in (i) to (v) above.

Pursuant to the S&P Agreement, each of the Company and PT SIMP has agreed that it shall not, and it shall procure that its subsidiaries shall not, unless and until the S&P Agreement is terminated for any reason or until the FDS and Ashmore Completion, whichever is earlier, enter into any legally binding agreement to, *inter alia*, acquire the shares or the whole or any substantial part of the undertaking, assets or businesses of any other company carrying on any business related to palm oil or which is substantially similar to the palm oil business carried on by Lonsum or any of the Lonsum Group companies as at the date of the S&P Agreement, where the value of such a transaction is greater than the lower of US\$50,000,000 and 10% of the consolidated net asset value

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of the Group. The above undertaking by the Company and PT SIMP, however, shall not preclude or restrict the Group from continuing with any transaction or proposal which has already been announced to a stock exchange, or from carrying out any transaction contemplated by the on-going and future capital expenditure plans referred to in the Company's offer information statement dated 25 January 2007, provided that the Company shall not raise any debt in the capital markets or otherwise fund any of such capital expenditure plans by external borrowings.

### 3. INTERESTED PERSON TRANSACTION WITH PT ISM, A CONTROLLING SHAREHOLDER OF THE COMPANY

As set out under Section 2.3.3 of this Circular, PT SIMP has accepted the PT ISM Loan for the purpose of financing part of the consideration for the Tender Offer. The level of borrowings under the PT ISM Loan would depend on the level of acceptances tendered pursuant to the Tender Offer.

PT ISM is a controlling shareholder of the Company with an interest of approximately 73.96% of the total number of issued Shares in the Company as at the Latest Practicable Date. The PT ISM Loan therefore constitutes an interested person transaction under Chapter 9 of the Listing Manual.

The PT ISM Loan is unsecured with a tenure of one year. The interest payable by PT SIMP to PT ISM is the same interest payable to PT SIMP's bank lenders for facilities denominated in Rp, provided that the total interest payable on the PT ISM Loan is subject to a cap of Rp135 billion (the "**Capped Amount**") (which is equivalent to approximately S\$21.9 million). In the event that the interest payable on the PT ISM Loan is expected to exceed the Capped Amount, PT SIMP shall be entitled to prepay all or part of the loan amount (such amount to be determined by PT SIMP) so as to reduce the interest payable to below the Capped Amount.

Based on the prevailing SBI interest rate, the interest payable on the PT ISM Loan is approximately 9.25% per annum. Assuming that the PT ISM Loan is fully drawn down and that the interest payable on the PT ISM Loan is 9.25% per annum (based on the prevailing SBI interest rate), the total interest payable for the tenure of the PT ISM Loan (the "**PT ISM Loan Interest**") would be approximately Rp134.1 billion (which is equivalent to approximately S\$21.7 million), which would constitute approximately 4.86% of the Group's unaudited net tangible assets as set out in the unaudited proforma consolidated financial information of the proforma Group (after completion of the acquisition of the entire issued share capital of Indofood Oil & Fats Pte. Ltd.) for the full year ended 31 December 2006 as announced by the Company on 20 March 2007 (the "**FY2006 NTA**"). The Capped Amount of Rp135 billion (which is equivalent to approximately S\$21.9 million) represents approximately 4.90% of the FY2006 NTA. The interest payable on the PT ISM Loan will, due to the Capped Amount, be less than 5% of the FY2006 NTA.

The PT ISM Loan was accepted by PT SIMP as a standby facility for the purpose of financing the Tender Offer.

As the interest rate payable on the PT ISM Loan is the same interest rate payable on the facilities denominated in Rp granted by PT SIMP's bank lenders, the Audit Committee of the Company is of the view that the PT ISM Loan is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

Apart from the abovementioned transaction, there is no other interested person transaction with PT ISM and such of its subsidiaries that are not part of the Group or any other interested person for the current financial year up to the Latest Practicable Date, save for interested person transactions entered into by the Group pursuant to the mandate obtained from Shareholders at its annual general meeting on 20 April 2007.

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Mr Benny Setiawan Santoso (a Director of the Company) is also a commissioner of PT ISM. Mr Tjhie Tje Fie (a Director of the Company) is also a director of PT ISM.

Save as disclosed above, none of the Directors or Controlling Shareholders of the Company has any interest, direct or indirect, in the PT ISM Loan.

#### 4. SHAREHOLDERS' APPROVAL

The relative figures for the Proposed Transactions computed on the bases below are as follows:-

<b>Bases</b>	<b>Relative Figures<sup>(1)</sup></b>
(a) Net asset value of the Lonsum Group as compared with the Group's net asset value as at 31 December 2006	Not applicable
(b) Net profits <sup>(2)</sup> attributable to the Lonsum Group as compared with the Group's net profits <sup>(3)</sup> for FY2006	73.4%
(c) Aggregate Consideration <sup>(4)</sup> as compared with the market capitalisation <sup>(5)</sup> of the Group as at 23 May 2007	92.5%
(d) The number of equity securities to be issued by the Company as consideration for the Proposed Transactions, compared with the number of equity securities previously in issue	7.3%

#### Notes:

- (1) The relevant relative figures are calculated based on the exchange rate of Rp5,688.99 : S\$1 on 23 May 2007, being the full trading day prior to the date of the S&P Agreement.
- (2) The net profits attributable to the Lonsum Group was derived from the Lonsum Group's audited consolidated financial statements for FY2006 which were prepared in accordance with IFRS (which are not materially different from SFRS).
- (3) The Group's net profits are based on the unaudited consolidated proforma financial statements of the Group for FY2006 which are prepared based on SFRS and the proforma assumptions as disclosed in the Company's annual report for FY2006.
- (4) Assuming full acceptances of the Tender Offer.
- (5) The market capitalisation of the Company is based on 1,349,700,000 Shares in issue as at 23 May 2007 (being the full trading day prior to the date of the S&P Agreement) and the weighted average price of the Shares of S\$1.2758 transacted on 23 May 2007.

As the relative figures under Rule 1006(b) and (c) above have exceeded 20% but have not exceeded 100%, the Proposed Transactions constitute a "Major Transaction" pursuant to Chapter 10 of the Listing Manual and accordingly, the Company is required to convene the EGM to seek the approval of Shareholders for the Proposed Transactions.

#### 5. LISTING APPROVAL FROM THE SGX-ST

On 27 August 2007, the SGX-ST granted in-principle approval to the Company for the listing and quotation of the Consideration Shares on the SGX Mainboard subject to the following conditions:-

- (a) compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval being obtained for the Proposed Acquisition and the issue of the Consideration Shares; and
- (c) the submission of a notification to SGX-ST pursuant to Rule 864(4) of the Listing Manual, if applicable, upon any significant changes affecting the matter in the application.



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It should be noted that the in-principle approval granted by the SGX-ST to the Company is not to be taken as an indication of the merits of the Company, its subsidiaries, any of the Proposed Transactions, the Lonsum Group or the Shares (including the Consideration Shares).

### 6. RATIONALE FOR THE PROPOSED ACQUISITION

The Directors believe that the Proposed Acquisition is in the interests of the Company as it will strengthen the Group's integrated plantation business model.

(a) Expansion of core plantation business

The Lonsum Group is principally engaged in oil palm cultivation and the milling of fresh fruit bunches, which is similar to a significant part of the Group's core plantation business. In FY2006, sales of oil palm products accounted for approximately 69.6% of the Lonsum Group's revenue and CPO production amounted to approximately 340,015 MT.

(b) Increase in landbank and oil palm planted area

The Proposed Acquisition will enable the Group to expedite its strategy of increasing its oil palm planted area to 250,000 hectares and achieving self-sufficiency in meeting the Group's CPO requirements. The Directors of the Company believe that the capabilities of both the Group and the Lonsum Group in oil palm plantations will enable the combined group to expand its oil palm acreage further to become one of the largest oil palm plantation owners in Indonesia.

As at 30 June 2007, the Group has a land bank of approximately 224,083 hectares, of which approximately 76,728 hectares are planted with oil palm. With the Proposed Acquisition, this will increase its total land bank to approximately 390,499 hectares of which the total oil palm planted area will be approximately 140,896 hectares.

The total combined planted area, including oil palm, rubber and other crops, will be approximately 168,122 hectares. The remaining combined land bank of approximately 222,377 hectares is currently unplanted.

(c) Lonsum Group's high productivity

The Lonsum Group is a productive plantation company in Indonesia, with high FFB yields, and CPO and palm kernel extraction rates as set out under Section 7.1.2 of this Circular.

(d) Self-sufficiency

The Proposed Acquisition is consistent with the Group's strategy towards self-sufficiency for its internal CPO requirements. The Lonsum Group produced approximately 340,015 MT of CPO in 2006. Together with the Group's CPO production of approximately 300,000 MT in 2006, the combined CPO production would be approximately 640,015 MT. In 2006, the Group's internal CPO requirement was approximately 600,000 MT.

(e) Quality oil palm seed producer

The Lonsum Group also operates dedicated research facilities that produce in excess of 15 million oil palm seeds annually, recognized for their quality and high yielding potential, which would enhance the Group's existing seed production.

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## LETTER TO SHAREHOLDERS

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### 7. INFORMATION ON THE LONSUM GROUP

#### 7.1 The Lonsum Group

##### 7.1.1 Background Information and Business Overview

Lonsum is an Indonesian legal entity domiciled in Jakarta, with operational branch offices located in Medan, Palembang, Makassar, Surabaya and Samarinda. Lonsum was established in 1962 and has been listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange since 1996.

The history of the Lonsum Group (including its predecessor companies) can be traced back almost a century to the early 1900s when the Lonsum Group commenced operations as a trading and plantation management services firm. The Lonsum Group evolved over time to become a renowned plantation group.

The Lonsum Group is currently principally engaged in the business of breeding, planting, milling and selling of oil palm products. It is also engaged in other products such as rubber, cocoa and tea. The Lonsum Group operates estates in Indonesia located at North and South Sumatra, East Kalimantan, North and South Sulawesi, East and West Java.

In addition, Lonsum has 2 wholly-owned subsidiaries incorporated in Singapore, namely, Lonsum Singapore Pte. Ltd. (“**LSPL**”) and Sumatra Investment Corporation Pte. Ltd. (“**SICPL**”). The principal activities of LSPL and SICPL are those of the trading and marketing of Lonsum’s plantation products.

##### 7.1.2 The Lonsum Group’s Plantations, Mills and Production

As at 30 April 2007, the Lonsum Group has a total land bank (excluding plasma land bank) of approximately 166,416 hectares, of which 86,379 hectares are planted area. From this, it operates mature and immature oil palm plantations with total area of approximately 50,258 hectares and 13,910 hectares, respectively. This represents in aggregate approximately 74.3% of the total planted area operated by the Lonsum Group.

The geographical locations of the Lonsum Group’s plantations (excluding plasma land bank) as at 30 April 2007 are as follows:-

<b>Location</b>	<b>Mature plantations<sup>(1)</sup> (hectares)</b>	<b>Immature plantations<sup>(1)</sup> (hectares)</b>	<b>Total (hectares)</b>
North Sumatra	36,853	3,499	40,352
South Sumatra	21,421	12,287	33,708
East Kalimantan	4,556	–	4,556
Java	2,028	355	2,383
South Sulawesi	3,808	843	4,651
North Sulawesi	624	105	729
<b>Total</b>	<b>69,290</b>	<b>17,089</b>	<b>86,379</b>

## LETTER TO SHAREHOLDERS

The crops planted on the Lonsum Group's planted areas (excluding plasma land bank) as at 30 April 2007 are as follows:-

Crop	Mature plantations <sup>(1)</sup> (hectares)	Immature plantations <sup>(1)</sup> (hectares)	Total (hectares)
Oil palm	50,258	13,910	64,168
Rubber	13,998	2,652	16,650
Cocoa	4,423	334	4,757
Others <sup>(2)</sup>	611	193	804
<b>Total</b>	<b>69,290</b>	<b>17,089</b>	<b>86,379</b>

**Notes:**

- (1) Palm oil plantations are considered mature in three to four years after planting, while rubber plantations are considered mature in five to six years after planting. Actual time of maturity is dependent upon vegetative growth and is assessed by the Lonsum Group.
- (2) Includes other crops such as tea and coconut.

The following table shows the nature of the land bank owned or controlled by the Lonsum Group (excluding plasma land bank) as at 30 April 2007:-

Location	HGU <sup>(1)</sup> (hectares)	HGB <sup>(2)</sup> (hectares)	Ijin Lokasi <sup>(3)</sup> (hectares)	Total (hectares)
North Sumatra	42,452.10	1.47	–	42,453.57
South Sumatra	29,051.10	312.96	39,149.00	68,513.06
East Kalimantan	43,458.59	0.14	–	43,458.73
North Sulawesi	791.92	–	–	791.92
South Sulawesi	5,513.46	0.01	–	5,513.47
West Java	627.41	–	–	627.41
East Java	4,932.83	–	–	4,932.83
Banten	–	124.89	–	124.89
<b>Total</b>	<b>126,827.41</b>	<b>439.47</b>	<b>39,149.00</b>	<b>166,415.88</b>

**Notes:**

- (1) HGU refers to the right to cultivate (referred to in Indonesia as Hak Guna Usaha). HGU gives its holder the right to exploit/use or to cultivate the land. The expiry period of the HGU of the Lonsum Group ranges between 2023 and 2040. This right is usually given for agricultural purposes (agribusiness) for an initial fixed period not exceeding 35 years and may be extended for 25 years. After the expiration of this term, the holder may apply for a further renewal of the land title for a further 35 years at the maximum.
- (2) HGB refers to the right to build (referred to in Indonesia as Hak Guna Bangunan). HGB is a right in land which allows its holder to utilise the land and anything previously or thereafter built upon the land on an exclusive basis for that period. The expiry period of the HGB of the Lonsum Group ranges between 2009 and 2034. Under Indonesian law, the HGB is issued for a period of up to 30 years. The initial 30-year period may be further extended for a period of up to 20 years.
- (3) Ijin Lokasi is an approval granted by the Indonesian government to a company which permits the company to commence land relinquishment or acquisition and/or cultivation within a certain prescribed period, after which the company can apply for HGU. The expiry period for the Ijin Lokasi ranges between 2007 and 2010.

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The Group considers environmental compliance to be an important factor in the conduct of its operations and it is committed to achieving high standards of environmental management. The Group has a zero burning policy for clearing its plantation land and intends, on a best efforts basis, to maintain and/or promote such policy in its future acquisition and development of plantation land. Based on information provided by Lonsum, the Lonsum Group has a zero burning policy for clearing of its plantation land for all its crops.

Apart from this, as at 30 April 2007, the Lonsum Group has also developed and managed approximately 36,253 hectares of plasma plantations, of which approximately 35,778 hectares has been handed over to the plasma farmers. Typically, management of these plasma plantations will be handed over to the plasma farmers when the plantations become mature.

Based on publicly available information, the Lonsum Group produced approximately 340,015 MT of CPO in 2006. The Lonsum Group also has high FFB yields, and CPO and palm kernel extraction rates.

The following table shows oil palm yield for FY2006:-

Description	Unit	Mature estates	Developing estates
FFB	tonne/hectare	23.5	17.3
CPO	tonne/hectare	5.6	4.0
Palm Kernel	tonne/hectare	1.4	0.8
CPO Extraction Rate	%	23.8	23.0
Palm Kernel Extraction Rate	%	6.0	4.6

The Lonsum Group has 10 palm oil mills with an annual processing capacity of approximately 1.5 million tonnes of FFB per annum. The palm oil mills are located in North and South Sumatra. The Lonsum Group also operates factories for its other crops. A summary of the Lonsum Group's facilities and factories is as follows:-

Facilities	North Sumatra	South Sumatra	Java	Sulawesi	Total	Annual processing capacity (tonnes)
Palm oil mills	4	6	–	–	10	1,536,000 FFB
Crumb rubber factories	1	1	–	1	3	25,056 Dry rubber
Sheet rubber factories	1	–	–	1	2	6,880 Dry rubber
Cocoa factories	2	–	1	–	3	7,008 Dry beans
Tea factory	–	–	1	–	1	1,728 Black tea
<b>Total</b>	<b>8</b>	<b>7</b>	<b>2</b>	<b>2</b>	<b>19</b>	

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## LETTER TO SHAREHOLDERS

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### 7.1.3 The Lonsum Group's Research Facilities

The Lonsum Group has advanced research centres in Indonesia, dedicated to the development and advancement of oil palm seeds, rubber and cocoa growing. The Bah Lias Research Station ("BLRS") was founded over a quarter century ago in North Sumatra, evolving into comprehensive research facilities encompassing specialised laboratories for the analysis of soil, plant tissue, oil palm and latex; a tissue culture laboratory, a pathology laboratory and insectary. It has two further research facilities in South Sumatra and East Kalimantan to support the large-scale development projects undertaken by the Lonsum Group on its oil palm and rubber estates in those regions.

BLRS carries out research in four major areas, namely:-

- agronomy (the search for optimal crop management);
- breeding (which includes seed germination to produce superior planting materials);
- crop protection (the protection of plants against pests and diseases); and
- data analysis (to store and analyse all data for future reference).

The success of BLRS' oil palm breeding programme has created demand for BLRS' seeds from other plantations. BLRS produces in excess of approximately 15 million oil palm seeds annually with quality and high yielding potential. BLRS also strives to increase yields for the Lonsum Group's oil palm, rubber and cocoa estates.

With the additional expertise from the Lonsum Group's research facilities, the Group believes that it will be able to enhance its research and development capabilities.

### 7.2 Selective Financial Data

The audited consolidated financial highlights of the Lonsum Group for FY2004, FY2005, FY2006 and FP2007, which were prepared in accordance with IFRS, are as follows:-

#### Consolidated Income Statement

<i>(Rp' million)</i>	FY2004 <sup>(1)</sup>	FY2005 <sup>(1)</sup>	FY2006 <sup>(1)</sup>	FP2007 <sup>(1)</sup>
Sales	1,654,294	1,832,860	2,148,413	728,263
Net gain/(loss) on change in fair value of biological assets	5,410	(201,003)	196,901	131,690
Operating Profit	1,356,292 <sup>(2)</sup>	272,622	734,309	266,670
Finance Income	3,307	4,247	4,133	2,168
Finance Cost	(111,703)	(76,088)	(70,190)	(16,904)
Profit before income tax	1,247,896	200,781	668,252	251,934
Income tax	(459,519)	42,094	(193,452)	(78,450)
Net income	788,377	242,875	474,800	173,484

## LETTER TO SHAREHOLDERS

### Consolidated Balance Sheet

<i>(Rp' million)</i>	FY2006 <sup>(1)</sup>	FP2007 <sup>(1)</sup>
<b>Non Current Assets</b>		
Property, plant and equipment	527,595	585,084
Biological assets	3,513,961	3,764,285
Prepaid operating leases for land rights	437,873	442,517
Long-term receivables	50,770	53,335
Trade and other receivables	44,677	93,205
	4,574,876	4,938,426
<b>Current Assets</b>		
Inventories	130,636	176,543
Trade and other receivables	115,468	109,097
Cash and cash equivalents	257,054	201,515
	503,158	487,155
<b>Total Assets</b>	5,078,034	5,425,581
<b>Capital and Reserves</b>		
Share capital	1,165,263	1,165,263
Reserves	2,066,773	2,240,257
	3,232,036	3,405,520
<b>Non-Current Liabilities</b>		
Borrowings	474,986	506,632
Deferred income tax liabilities	696,006	720,375
Provision for employee benefit obligations	141,679	167,260
	1,312,671	1,394,267
<b>Current Liabilities</b>		
Borrowings	178,937	179,967
Notes payable	–	135,240
Trade and other payables	282,086	252,621
Current income tax liabilities	72,304	57,966
	533,327	625,794
<b>Total Liabilities</b>	1,845,998	2,020,061
<b>Total Equity and Liabilities</b>	5,078,034	5,425,581

#### Notes:

- (1) Extracted from the Lonsum Group's audited consolidated financial statements for FY2004, FY2005, FY2006 and FP2007 which were prepared in accordance with IFRS and audited by Lonsum's auditors, KAP Haryanto Sahari & Rekan, a member firm of PricewaterhouseCoopers. The IFRS consolidated financial statements for the said periods include the fair values of the Lonsum Group's biological assets which were assessed by an independent qualified valuer, PT Asian Appraisal Indonesia.
- (2) The operating profit for FY2004 included a gain on debt restructuring of Rp809,757 million. The Lonsum Group underwent a debt restructuring in 2004 as it had defaulted on most of its debts following the Asian financial crisis in 1997. The debt restructuring involved the settlement of the Lonsum Group's borrowings, default interests and penalties through the issuance of mandatory convertible notes and Lonsum Shares, cash settlement, refinancing and negotiated settlement of penalties and interests. The gain on debt restructuring in FY2004 is mainly due to the negotiated settlement of penalties and interests, and also the settlement of amounts due under foreign exchange contracts.

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## LETTER TO SHAREHOLDERS

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For FY2006, sales of oil palm products and rubber accounted for approximately 69.6% and 22.3% of its total revenue, respectively. The balance was contributed by the sale of its other commodities (including cocoa and tea) and the oil palm seeds business of approximately 3.7% and 4.4%, respectively.

Based on the audited consolidated financial statements of the Lonsum Group for FY2006 and FP2007 which were prepared in accordance with IFRS, the Lonsum Group had a profit before income tax of approximately Rp668,252 million (which is equivalent to approximately S\$108.2 million) for FY2006 and net asset value of approximately Rp3.4 trillion (which is equivalent to approximately S\$551.5 million) as at 30 April 2007. As at the Latest Practicable Date, the market capitalization of Lonsum was approximately Rp7.4 trillion (which is equivalent to approximately S\$1.2 billion).

### 7.3 Other Information

#### 7.3.1 Commissioners, Directors and Employees of Lonsum

The members of the board of commissioners of Lonsum as at the Latest Practicable Date are:

President Commissioner	:	Mr Susanto Suwarto
Vice President Commissioner	:	Mr Fofu Sariaatmadja
Commissioner	:	Mr Mark Howard Carnegie
Independent Commissioner	:	Mr Tengku Alwin Aziz
Independent Commissioner	:	Mr Rachmat Soebiapradja

The members of the board of directors of Lonsum as at the Latest Practicable Date are:

President Director	:	Mr Eddy Kusnadi Sariaatmadja
Director	:	Mr Jay Geoffrey Wachter
Director	:	Mr Joefly Joesoef Bahroeny
Director	:	Mr Arsyad Lahabu
Director	:	Mr Zafril Ansgar Hamzah
Director	:	Mr Bryan John Dyer

Based on information provided by Lonsum, as at 30 April 2007, the Lonsum Group had a total of approximately 12,870 permanent employees and labourers. Based on information provided by Lonsum, there have been no major labour unrests in the last three financial years and up to the Latest Practicable Date.

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## LETTER TO SHAREHOLDERS

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### 7.3.2 Shareholders and Share Capital of Lonsum

Based on information provided by Lonsum, as at 31 August 2007:-

- (a) Lonsum has an authorised capital of Rp800,000,000,000 divided into 1,600,000,000 Lonsum Shares with a nominal value of Rp500 per Lonsum Share and an issued and paid up capital of Rp547,614,646,500 divided into 1,095,229,293 Lonsum Shares with a nominal value of Rp500 per Lonsum Share.
- (b) the shareholders of Lonsum and their respective shareholdings in Lonsum as at 31 August 2007 are as follows:-

<b>Shareholders</b>	<b>Number of Lonsum Shares</b>	<b>%</b>
First Durango Singapore Pte. Limited	379,353,073	34.64
Credit Suisse Singapore S/A First Durango Singapore Pte Limited	169,367,927	15.46
PT Pan London Sumatra Plantation	97,105,793	8.87
Empire Energy Resources Pte Limited	74,000,000	6.76
The Northern Trust Company S/A Northern Trust Guernsey	60,895,000	5.56
Public shareholders	314,507,500	28.71
<b>Total</b>	<b>1,095,229,293</b>	<b>100.00</b>

- (c) US\$47,000,000 MCNs which are convertible at face value into 269,343,500 fully paid new Lonsum Shares remain outstanding.

### 7.3.3 Prices of Lonsum Shares

The following table sets out the highest and lowest transacted prices of Lonsum Shares on the Jakarta Stock Exchange on a monthly basis during the last 12 months and up to the Latest Practicable Date:-

<b>2006</b>	<b>High (Rp)</b>	<b>Low (Rp)</b>
September	5,000	4,250
October	4,325	4,675
November	5,700	4,525
December	6,600	5,350
<b>2007</b>		
January	6,700	5,250
February	6,250	5,150
March	6,300	5,500
April	6,900	6,200
May	6,900	6,050
June	6,700	6,350
July	6,750	6,400
August	6,650	5,850
1 September up to the Latest Practicable Date	6,850	6,350

Source: Bloomberg LP



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## LETTER TO SHAREHOLDERS

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### 7.4 Risk Factors

The Proposed Transactions may involve the risks described below. The risks described below are not intended to be exhaustive. There may be additional risks not presently known to the Group, or that the Group may currently deem immaterial, which could affect its operations or the oil palm industry. The Lonsum Group faces substantially the same kind of risks as the Group. In particular, if any of the following considerations, risks and uncertainties develops into actual events, the financial position, financial performance, cash flow, business operations and prospects of the Group could be, directly or indirectly, materially and adversely affected.

#### 7.4.1 Risk of prohibitions and constraints in ownership and acquisition of plantation land

On 11 August 2004, the Indonesian government enacted Law No. 18 of Year 2004 on Plantation (“**Law No. 18/2004**”) which provides, *inter alia*, that as regards the case of land for a plantation business, the minister in charge of and responsible for managing the plantation sector shall stipulate the land’s maximum area and minimum area of use.

Further to the implementation of Law No. 18/2004, on 29 February 2007, Regulation of the Minister of Agriculture (“**Relevant Minister**”) No. 26/Permentan/OT. 140/2/2007 (“**Regulation No. 26**”) was issued which provides, among other things, the maximum acreage of plantation area which can be granted to a plantation company as a single legal entity. The maximum acreage of the plantation area is determined based on the types of commodities as stated in Attachment 3 of Regulation No. 26, such as oil palm and rubber where the maximum acreage is 100,000 hectares and 25,000 hectares respectively, except for the maximum acreage of plantation area in the Province of Papua which is two times the maximum acreage of plantation area as set forth in Attachment 3 of Regulation No. 26. However, such limitation is not applicable to certain plantation companies, such as a company which shares are majority owned by the public through a public offering.

In view of the above, since the maximum acreage of plantation area of each of the Company and its subsidiaries has not exceeded the maximum land area determined by Regulation No. 26 and considering the status of Lonsum as a public company, each company can continue to operate its plantation business activities.

Notwithstanding the above, Regulation No. 26 does not provide limitations on the total maximum acreage of plantation area that may be owned by a group of companies. As such, if in the future the Relevant Minister applies such limitation to a group of companies, which are less than the acreage owned by the Group before or after the Proposed Transactions, there is no assurance that the Group may continue to own all of its plantation land. In particular, the Group may be required to return or sell part of its land to reduce its land ownership, in which case it may suffer loss on disposal should such land be confiscated or force-sold. In addition, the Group may also be limited from expanding its plantation business and CPO production, which would in turn affect its ability to implement its business strategies.

#### 7.4.2 Refinancing Risk

As stated in Section 2.3.3 of this Circular, subject to further review, the borrowings undertaken by PT SIMP to finance the Proposed Transactions may be refinanced in part by equity and other related fund raising. There is no assurance that the Group would be able to raise funds to refinance such borrowings. Any debt refinancing may contain restrictive covenants with respect to dividends, future capital raising and other financial and operational matters, and, subject to market conditions, may be at a higher cost to the Group. Any issue of shares or other securities to raise funds may dilute Shareholders’ equity interests and may, as in the case of a rights issue, require additional investments by Shareholders. In addition, depending on market conditions, such equity fund raising may be done at prices below the prevailing market price of the Shares or below the investor’s cost of investment in the Shares.

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## LETTER TO SHAREHOLDERS

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### 7.4.3 No Warranties Risk

No warranties relating to the Lonsum Group such as warranties on the affairs, business, assets, liabilities, operations and financial condition of the Lonsum Group, have been given by the Vendors to the Group under the S&P Agreement. As such, the management of the Company has used its best endeavours to carry out due diligence on the Lonsum Group as referred to in condition (b) in Section 2.4.1 of this Circular. Inherently, the due diligence is therefore dependent on, *inter alia*, the quality and the availability of reliable, accurate, complete and up-to-date information.

### 7.4.4 Risks in holding listed Lonsum Shares

As stated in Section 7.5 of this Circular, it is the current intention that the listing of the Lonsum Shares on the Jakarta and Surabaya stock exchanges be maintained. In the event the Lonsum Shares remain listed on the Jakarta and Surabaya stock exchanges, the Company's risks in holding listed Lonsum Shares are as follows:-

- **Dilution**

Should Lonsum undertake any fund raising exercises in the future that involve the issuance of equity securities such as new Lonsum Shares or securities convertible into new Lonsum Shares, or any other transactions that may involve the issuance of new Lonsum Shares, the Company's shareholding in Lonsum may be diluted.

- **The share price of the Lonsum Shares may be affected by various factors including future sale of Lonsum Shares, general market and economic conditions**

Any future sale, availability of Lonsum Shares for sale or the perception that such Lonsum Shares may be sold could have a material and adverse effect on the share price of the Lonsum Shares. The share price of the Lonsum Shares may also be materially affected by general market and economic conditions.

- **Effect on the price of the Company's Shares**

Upon the completion of the Proposed Acquisition, the Lonsum Group will form a major part of the Group. The share price of the Company's Shares may be affected by any downward movement of the share price of the Lonsum Shares.

### 7.4.5 Integration Risk

Upon the completion of the Proposed Acquisition, the Company will look to capture synergies from the combined entity. A review of operations will be carried out to identify potential synergies. Potential synergies include integration of operations to ensure operational effectiveness, cost efficiency and to capitalise on the combined strength of the respective management teams. The continued growth and the success of the combined entity is dependent on the speed and ease of integration.

### 7.4.6 Severance Payment Risk

Under Indonesian labour laws, in the event of a change in control of a company, and if any worker/labourer is unwilling to continue with his employment with the company after the change of ownership, the company is required to make severance payments to such workers/labourers.

The severance pay for such workers/labourers is to be calculated based on the formula as determined under Indonesian labour laws or the collective labour agreements, whichever is higher. The aggregate amount of severance pay payable, if any, by the Lonsum Group (after the change of ownership) would depend on, *inter alia*, the number of workers/labourers who are unwilling to continue with their employment after the Proposed Acquisition, the duration of their employment and the amount of their monthly wages.

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## LETTER TO SHAREHOLDERS

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Based on information provided by the Lonsum Group, save for payouts to its previous executives in the ordinary course of the expiry or termination of their employment contracts, the Lonsum Group has not made any major severance payments to its workers/labourers in the past three financial years and up to the Latest Practicable Date.

### 7.4.7 Risk of default by smallholders on repayment of loans extended or guaranteed by the Lonsum Group under the Plasma Programme

Under the plasma programme, smallholders are required to sell their FFB to the Lonsum Group, and a portion of the amounts payable by the Lonsum Group to smallholders for such FFB are (i) paid directly by the Lonsum Group to the banks which have provided financing to such smallholders for the financing of the development cost of their plantations, to reduce or repay the outstanding amounts; and (ii) applied to offset outstanding amounts under the unsecured loans provided by the Lonsum Group to such smallholders after full repayment of the outstanding amounts to the banks has been made.

There is no assurance that smallholders will not default on their obligation to sell FFB to the Lonsum Group and this may result in them defaulting on their loan repayments to the banks and the Lonsum Group. In such event, guarantees which have been provided by the Lonsum Group to the banks to secure the loans of smallholders may be called upon by the banks. The Lonsum Group has provided guarantees for such outstanding loans amounting to an aggregate of approximately Rp108 billion (which is equivalent to approximately S\$17.5 million) as at 30 April 2007. In addition, approximately Rp52 billion (which is equivalent to approximately S\$8.4 million) has been paid to the banks by the Lonsum Group under such guarantees and the Lonsum Group has provided loans of up to approximately Rp25 billion (which is equivalent to approximately S\$4.0 million) to smallholders.

Any material default by such smallholders on their obligations to the banks and/or the Lonsum Group would have a material adverse impact on the business of the Lonsum Group.

## **7.5 Future Plans for the Lonsum Group**

The Company intends to undertake a review of the Lonsum Group's operations following the completion of the Proposed Acquisition. This review will seek to identify areas in which the strategic direction of Lonsum can be enhanced, and to identify areas of synergy. This may include, but is not limited to, a sharing of best practices and enhancing cost efficiency and operational effectiveness. It is the intention of the Company that Lonsum continues to develop and grow its existing business.

Following the completion of the Proposed Acquisition, the Company intends to seek representation on the board of commissioners and board of directors of Lonsum.

Save as disclosed above, the Company has no immediate plans for any major changes relating to the existing business of the Lonsum Group, other than in the ordinary course of business.

It is the current intention that the listing of the Lonsum Shares on the Jakarta and Surabaya stock exchanges be maintained.

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## LETTER TO SHAREHOLDERS

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### 8. CERTAIN FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

#### 8.1 Bases and Assumptions

The unaudited proforma financial effects of the Proposed Transactions on the Group in respect of FY2006 have been prepared based on the unaudited consolidated proforma financial statements of the Group for FY2006 and the audited consolidated financial statements of the Lonsum Group for FY2006. The objective of the financial effects analysis is to illustrate what the historical information of the Group might have been had such transactions been completed at an earlier date. However, such information is not necessarily indicative or a projection of the financial performance and financial position of the Group after the completion of the Proposed Transactions.

For purposes of illustration, the financial effects set out below are based on, *inter alia*, the following key assumptions:-

- (a) The financial statements of the Group and the Lonsum Group are reported in Indonesian Rupiah (“Rp”);
- (b) The unaudited consolidated proforma financial statements of the Group for FY2006 are prepared based on SFRS and proforma assumptions as disclosed in the Company’s annual report for FY2006 adjusted for the completion of the acquisition of the entire issued share capital of Indofood Oil & Fats Pte. Ltd., the subsequent placement of 338,000,000 new Shares at the issue price of S\$1.25 each (the “**Placement Exercise**”) and the partial use of the placement proceeds;
- (c) The audited consolidated financial statements of the Lonsum Group for FY2006 are prepared based on IFRS;
- (d) The Proposed Transactions are required to be accounted for upon completion in accordance with the accounting policies of the Company (using the purchase method in accordance with SFRS103-Business Combinations). This requires a purchase price allocation (a valuation exercise on the identifiable assets, liabilities and contingent liabilities of the acquiree) to be performed on the Lonsum Group upon completion. As the purchase price allocation for the Lonsum Group has not been determined as at the Latest Practicable Date, the carrying values of the assets and liabilities of the Lonsum Group, with the exception of fixed assets, have been assumed to approximate the fair values as at 31 December 2006. The fair values of the fixed assets as at 31 December 2006 were based on an independent appraisal determined on existing use basis. Accordingly, for the purposes of preparing the unaudited proforma financial effects, the goodwill arising on acquisition of the Lonsum Group has been determined based on the excess of the aggregate consideration of the Proposed Acquisition, and the value of the Tender Offer, as the case may be, over the net assets of the Lonsum Group, adjusted for the fair values of the fixed assets. In addition, no impairment assessment of the resultant goodwill has been performed. The actual fair values of the net assets of the Lonsum Group and resultant goodwill will be determined upon completion of the acquisition and accounted for in accordance with the accounting policies of the Company and such actual fair values and goodwill may materially differ from the assumptions stated herein;
- (e) In arriving at the financial effects of the Proposed Transactions, the fair value of each Consideration Share has been assumed to be equal to the Issue Price. SFRS103-Business Combinations requires the fair value of the Consideration Shares to be determined based on the market price at the date of completion of the Proposed Acquisition. If the market price at the date of completion of the Proposed Acquisition is different from the Issue Price, it could have an impact on the cost of acquisition and consequentially, on the goodwill arising from the Proposed Transactions;

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- (f) The financial effects on the Group's earnings and EPS are computed **assuming that the Proposed Transactions were completed on 1 January 2006**. The financial effects on the Group's total assets, NAV, NTA and gearing are computed **assuming that the Proposed Transactions were completed on 31 December 2006**;
- (g) The MCNs were converted into an aggregate of 269,343,500 fully paid new Lonsum Shares; and
- (h) There are no other outstanding convertible securities and options issued by the Lonsum Group,

and are for the scenarios where:-

- (i) there is no acceptance of the Tender Offer by shareholders of Lonsum; and
- (ii) there are full acceptances of the Tender Offer by shareholders of Lonsum.

### 8.2 Effect on share capital

	No. of Shares '000
Total number of issued Shares as at the Latest Practicable Date and immediately prior to the Proposed Transactions	1,349,700
Add: Issue of Consideration Shares	98,083
Total number of issued Shares immediately after the Proposed Transactions	1,447,783

### 8.3 Financial effects on Total Assets, NAV and NTA

	Immediately after the Proposed Transactions		
	Before the Proposed Transactions	Assuming no acceptance of the Tender Offer <sup>(1)</sup>	Assuming full acceptances of the Tender Offer <sup>(1)</sup>
Consolidated total assets as at 31 December 2006 (Rp' million) <sup>(2)</sup>	6,994,571	15,131,607	16,929,730
Consolidated NAV as at 31 December 2006 (Rp' million) <sup>(2)</sup>	5,172,109	5,883,996	5,883,996
Consolidated NTA as at 31 December 2006 (Rp' million) <sup>(2)</sup>	5,135,257	2,567,229	560,875
Number of issued Shares ('000) <sup>(3)</sup>	1,349,700	1,447,783	1,447,783
Consolidated total assets per Share (Rp)	5,182	10,452	11,694
Consolidated NAV per Share (Rp)	3,832	4,064	4,064
Consolidated NTA per Share (Rp)	3,805	1,773	387

**Notes:**

- (1) In arriving at the financial effects of the Proposed Transactions, adjustments have been made to record the fair value of the Lonsum Group's fixed assets, goodwill on acquisition, the effects of the conversion of the MCNs, interest-bearing borrowings to fund the Proposed Transactions, and related tax effects.

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- (2) The consolidated total assets, NAV and NTA of the Group as at 31 December 2006 have been adjusted for the impact from the acquisition of the entire issued share capital of Indofood Oil & Fats Pte. Ltd. and the completion of the Placement Exercise.
- (3) The number of issued Shares has been adjusted to include the Shares issued pursuant to the Placement Exercise.

### 8.4 Financial effects on earnings and EPS

	Immediately after the Proposed Transactions		
	Before the Proposed Transactions	Assuming no acceptance of the Tender Offer <sup>(1)</sup>	Assuming full acceptances of the Tender Offer <sup>(1)</sup>
Consolidated earnings for the year ended 31 December 2006 (Rp'million) <sup>(2)</sup>	570,169	496,314	376,827
Number of issued Shares ('000) <sup>(3)</sup>	1,349,700	1,447,783	1,447,783
Consolidated EPS (Rp)	422	343	260

**Notes:**

- (1) In arriving at the financial effects of the Proposed Transactions, adjustments have been made to record the additional depreciation arising from the fair valuation of the Lonsum Group's fixed assets, interest costs at 9.25 per cent. per annum arising from the additional borrowings to fund the Proposed Transactions, related tax effects and minority interests.
- (2) The consolidated earnings for FY2006 have been adjusted for the goodwill impairment arising from the acquisition of the entire issued share capital of Indofood Oil & Fats Pte. Ltd..
- (3) The number of issued Shares has been adjusted to include the Shares issued pursuant to the Placement Exercise.

### 8.5 Financial effects on gearing

	Immediately after the Proposed Transactions		
	Before the Proposed Transactions	Assuming no acceptance of the Tender Offer <sup>(1)</sup>	Assuming full acceptances of the Tender Offer <sup>(2)</sup>
Adjusted consolidated borrowings as at 31 December 2006 (Rp'million) <sup>(3)</sup>	123,169	4,783,734	7,926,234
Consolidated cash and cash equivalents as at 31 December 2006 (Rp'million) <sup>(4)</sup>	1,730,633	1,006,337	798,105
Adjusted consolidated shareholders' funds as at 31 December 2006 (Rp'million) <sup>(4)</sup>	5,172,109	5,883,996	5,883,996
Gross Gearing as at 31 December 2006 (times)	0.02	0.81	1.35
Net Gearing as at 31 December 2006 (times)	–	0.64	1.21

**Notes:**

- (1) Includes additional borrowings of approximately Rp4.0 trillion to fund the Proposed Acquisition.
- (2) Includes additional borrowings of approximately Rp7.2 trillion to fund the Proposed Transactions.

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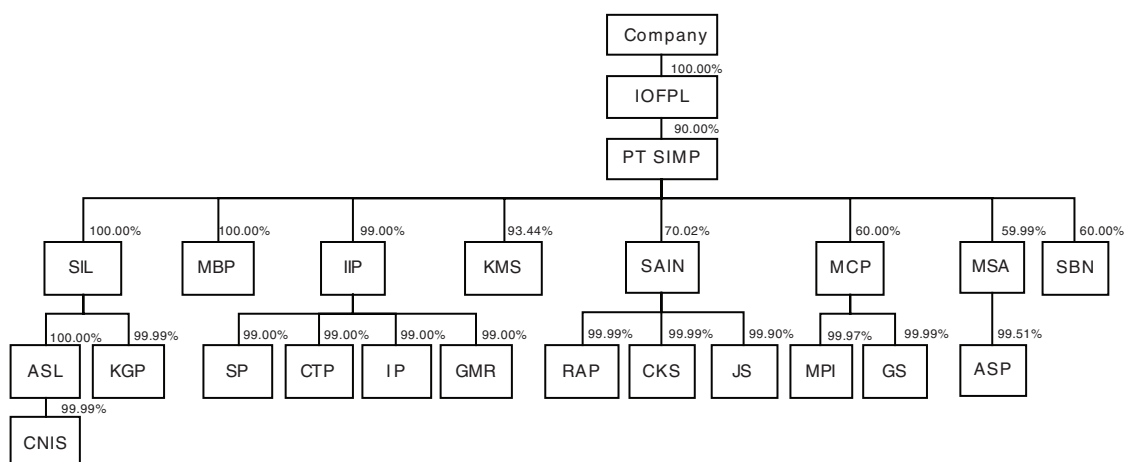
- (3) The consolidated borrowings of the Group as at 31 December 2006 have been adjusted to reflect the repayment of borrowings from the proceeds received by the Group from the Placement Exercise.
- (4) The consolidated cash and cash equivalents and consolidated shareholders' funds of the Group as at 31 December 2006 have been adjusted for the impact from the acquisition of the entire issued share capital of Indofood Oil & Fats Pte. Ltd. and the completion of the Placement Exercise.

### 9. GROUP STRUCTURE ON COMPLETION OF THE PROPOSED TRANSACTIONS AND RESULTING SHAREHOLDINGS OF THE COMPANY FOLLOWING THE PROPOSED CONSIDERATION SHARES ISSUE

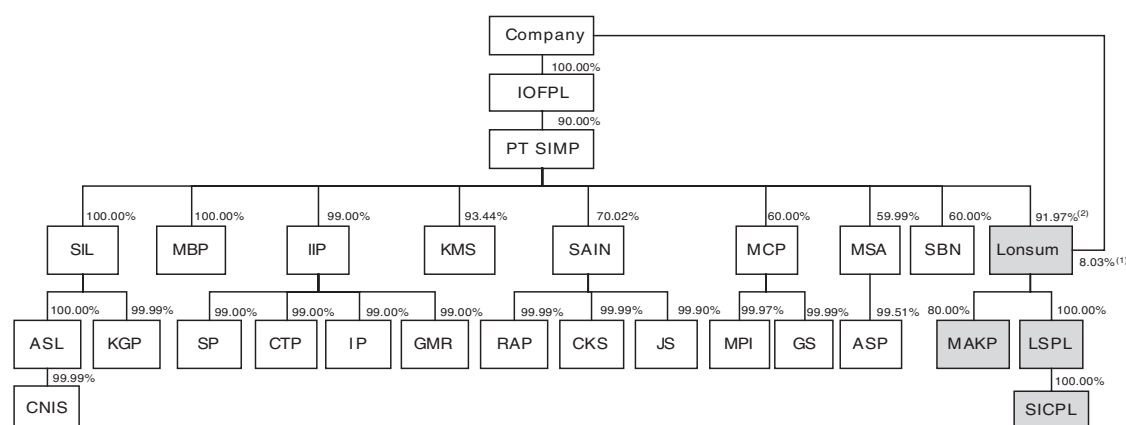
#### 9.1 Group Structure

The following diagrams depict the structure of the Group as at the Latest Practicable Date and that of the enlarged Group after the completion of the Proposed Transactions.

As at the Latest Practicable Date



After completion of the Proposed Transactions



ASL : Asian Synergies Limited	GS : PT Gunta Samba	KGP : PT Kebun Ganda Prima	MSA : PT Mentari Subur Abadi
ASP : PT Agrosukur Permai	IIP : PT Indoagri Inti Plantation	KMS : PT Kebun Mandiri Sejahtera	RAP : PT Riau Agrotama Plantation
CKS : PT Citra Kalbar Sarana	IP : PT Perusahaan Perkebunan, Industri dan Dagang Indriplant	MAKP : PT Multi Agro Kencana Prima	SAIN : PT Sarana Inti Pratama
CNIS : PT Citranusa Intisawit	IOFPL : Indofood Oil & Fats Pte. Ltd.	MBP : PT Manggala Batama Perdana	SBN : PT Swadaya Bhakti Negaramas
CTP : PT Cibaliung Tunggal Plantations	JS : PT Jake Sarana	MCP : PT Mega Citra Perdana	SIL : Silveron Investments Limited
GMR : PT Gunung Mas Raya		MPI : PT Multi Pacific International	SP : PT Perusahaan Dagang, Perkebunan dan Industri Serikat Putra

#### Notes:

- (1) Assuming that the ES Acquisition is completed.
- (2) Assuming full acceptances of the Tender Offer.

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On 13 March 2007, the Company announced that PT SIMP has entered into a subscription of shares agreement with PT Mulia Abadi Lestari and PT Mitra Inti Sejati Plantation (“**PT Mitra**”) whereby PT SIMP will subscribe for 66,500,000 new shares in PT Mitra for a total consideration of Rp66,500,000,000 (which is equivalent to approximately S\$10.8 million) (the “**Subscription of Shares Agreement**”). PT Mitra has a total land bank of approximately 16,268 hectares of which approximately 2,700 hectares are planted with oil palm. As at the Latest Practicable Date, the Subscription of Shares Agreement has not been completed. It is expected to be completed on or around 30 September 2007. Upon completion of the Subscription of Shares Agreement, PT SIMP will hold a 70% stake in PT Mitra.

### 9.2 Resulting Shareholdings of the Company

Based on information in the Register of Substantial Shareholders and the Register of Directors’ Shareholdings as at the Latest Practicable Date, the Company’s shareholders and their respective shareholdings before and immediately after the Proposed Consideration Shares Issue are summarised below:-

	Before the Proposed Consideration Shares Issue				Immediately after the Proposed Consideration Shares Issue			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>Directors</b>								
Mr Lee Kwong Foo Edward	-	-	-	-	-	-	-	-
Mr Benny Setiawan Santoso	-	-	-	-	-	-	-	-
Mr Mark Julian Wakeford <sup>(1)</sup> (“ <b>Mr Wakeford</b> ”)	-	-	200,000	0.01	-	-	200,000	0.01
Mr Tjhie Tje Fie	-	-	-	-	-	-	-	-
Mr Gunadi	-	-	-	-	-	-	-	-
Mr Moleonoto Tjang	-	-	-	-	-	-	-	-
Mr Lim Hock San	-	-	-	-	-	-	-	-
Mr Goh Kian Chee	-	-	-	-	-	-	-	-
Mr Hendra Susanto	-	-	-	-	-	-	-	-
<b>Substantial Shareholders</b>								
Indofood Singapore Holdings Pte. Ltd. (“ <b>ISHPL</b> ”)	998,200,000	73.96	-	-	998,200,000	68.95	-	-
PT ISM <sup>(2)</sup>	-	-	998,200,000	73.96	-	-	998,200,000	68.95
Lapu-Lapu Holdings Limited (“ <b>Lapu-Lapu</b> ”) <sup>(3)</sup>	-	-	998,200,000	73.96	-	-	998,200,000	68.95
CAB Holdings Limited (“ <b>CAB</b> ”) <sup>(3)</sup>	-	-	998,200,000	73.96	-	-	998,200,000	68.95
First Pacific <sup>(4)</sup>	-	-	998,200,000	73.96	-	-	998,200,000	68.95
First Pacific Investments Limited (“ <b>FPIL</b> ”) <sup>(5)</sup>	1,125,344	0.08	998,200,000	73.96	1,125,344	0.08	998,200,000	68.95
First Pacific Investments (B.V.I.) Limited (“ <b>FPIL BVI</b> ”) <sup>(5)</sup>	882,444	0.07	998,200,000	73.96	882,444	0.06	998,200,000	68.95
Salerni International Limited (“ <b>Salerni</b> ”) <sup>(6)</sup>	-	-	1,000,207,788	74.11	-	-	1,000,207,788	69.09
Anthoni Salim <sup>(7)</sup>	-	-	1,000,207,788	74.11	-	-	1,000,207,788	69.09
ES <sup>(8)</sup>	-	-	-	-	98,082,830	6.77	-	-
Public shareholders	349,492,212	25.89	-	-	349,492,212	24.14	-	-
<b>Total</b>	<b>1,349,700,000</b>	<b>100.00</b>			<b>1,447,782,830</b>	<b>100.00</b>		

#### Notes:

- (1) Mr Wakeford is deemed to be interested in 200,000 Shares held by his wife, Ms Tee Foong Sin.
- (2) PT ISM is a holding company of ISHPL with an interest of approximately 83.84% of the total number of issued shares in ISHPL. Accordingly, PT ISM is deemed to be interested in the Shares held by ISHPL.



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## LETTER TO SHAREHOLDERS

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- (3) Lapu-Lapu, together with its associate, CAB, collectively own not less than 20% of the issued share capital of PT ISM. Accordingly, Lapu-Lapu and CAB are deemed to be interested in the Shares held by ISHPL.
- (4) First Pacific owns 100% of the issued share capital of CAB and Lapu-Lapu respectively. Accordingly, First Pacific is deemed to be interested in the Shares held by ISHPL.
- (5) FPIL, together with FPIL BVI, collectively own not less than 20% of the issued share capital of First Pacific. Accordingly, FPIL and FPIL BVI are deemed to be interested in the Shares held by ISHPL.
- (6) Salerni owns more than 50% of the issued share capital of FPIL BVI. Accordingly, Salerni is deemed to be interested in the Shares held by ISHPL, FPIL and FPIL BVI.
- (7) Mr Anthoni Salim owns 100% of the issued share capital of Salerni. Accordingly, Mr Anthoni Salim is deemed to be interested in the Shares held by ISHPL, FPIL and FPIL BVI.
- (8) The Consideration Shares may be held by ES or companies beneficially owned by him.

### 10. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in Section 3 above in relation to the PT ISM Loan, none of the Directors or Controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition or the PT ISM Loan (other than by reason only of being a director or shareholder of the Company).

### 11. DIRECTORS' RECOMMENDATION

Having considered and reviewed, *inter alia*, the terms of the S&P Agreement, the rationale for and the financial effects of the Proposed Transactions, the Directors are of the opinion that the Proposed Transactions are in the interests of the Company.

Accordingly, they recommend that Shareholders **vote in favour** of the ordinary resolution set out in the Notice of EGM contained in this Circular.

### 12. EXTRAORDINARY GENERAL MEETING

An EGM, notice of which is set out in this Circular, will be held at Belvedere, 4th Floor, Grand Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on 23 October 2007 at 4.00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the ordinary resolution set out in the Notice of EGM.

### 13. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 80 Raffles Place, #22-23 UOB Plaza 2, Singapore 048624 not less than 48 hours before the time appointed for holding the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he subsequently so wishes to do so, in place of his proxy.

### 14. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors (including those who have delegated detailed supervision of this Circular) and the Directors collectively and individually accept full responsibility for the accuracy of the information given herein, and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief the facts stated and opinions expressed in this Circular (save in respect of the Lonsum Group and the Vendors) are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Circular misleading in any material respect as at the Latest Practicable Date.

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## LETTER TO SHAREHOLDERS

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Where information has been extracted from published or publicly available sources or provided by the Vendors or the Lonsum Group, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from such sources.

### **15. ADDITIONAL INFORMATION**

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

Yours faithfully,  
For and on behalf of the Board

Mark Julian Wakeford  
Chief Executive Officer and Executive Director  
Indofood Agri Resources Ltd.

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## APPENDIX A : ADDITIONAL INFORMATION

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### 1. MATERIAL LITIGATION

The Directors are not aware of any legal or arbitration proceedings pending or threatened against the Company or any of its subsidiaries during the 12 months immediately preceding the Latest Practicable Date which might have a material adverse effect on the financial position of the Group taken as a whole, or any facts likely to give rise to any such proceedings.

### 2. MATERIAL CONTRACTS

The following are the material contracts (not being contracts entered into in the ordinary course of business of the Group) entered into by the Group within the two years preceding the Latest Practicable Date:-

- (a) the merger contract dated 16 August 2006 entered into between PT SIMP and PT Bitung Menado Oil Industry (“**PT BML**”), PT Intiboga Sejahtera (“**PT IBS**”), PT Sawitra Oil Grains (“**PT SOG**”), PT Gentala Artamas (“**PT GA**”) and PT Pratiwimba Utama (“**PT PU**”), whereby PT BML, PT IBS, PT SOG, PT GA and PT PU merged into PT SIMP and all the rights, assets, liabilities, obligations and operations of PT BML, PT IBS, PT SOG, PT GA and PT PU were transferred by law to PT SIMP as the surviving entity;
- (b) the conditional sale and purchase agreement dated 23 August 2006 between PT ISM, the Company, Yeunh Oi Siong, Alex and Kumpulan CityAxis Sdn. Bhd. in relation to the acquisition by the Company of the entire issued share capital of Indofood Oil & Fats Pte. Ltd. for S\$392,691,880 to be satisfied by the issue of new Shares to ISHPL or as it or PT ISM may direct, including the deed of ratification and accession dated 11 September 2006 signed by ISHPL in favour of the foregoing parties (the “**Injection Agreement**”);
- (c) the deeds of undertaking dated 23 August 2006 from each of Yeunh Oi Siong, Alex and Kumpulan CityAxis Sdn. Bhd. in favour of the Company, PT ISM and ISHPL pursuant to which they voted or procured the voting of all Shares which they own and had an interest in, in favour of the resolutions proposed at the extraordinary general meeting of the Company to approve, *inter alia*, the acquisition of the entire issued share capital of Indofood Oil & Fats Pte. Ltd. and the subsequent placement of 338,000,000 new Shares at the issue price of S\$1.25 each;
- (d) the deeds of undertaking dated 24 August 2006 from FPIL BVI and FPIL, in favour of, *inter alia*, the Company, pursuant to which they, to the extent permitted by the listing rules of the Hong Kong Stock Exchange, voted their respective shares in First Pacific in favour of the resolutions proposed at the special general meeting of the shareholders of First Pacific to approve the transactions contemplated by the Injection Agreement (including the acquisition of the entire issued share capital of Indofood Oil & Fats Pte. Ltd. and the subsequent placement of 338,000,000 new Shares at the issue price of S\$1.25 each);
- (e) the deed of undertaking dated 29 August 2006 from First Pacific in favour of PT ISM and the Company, pursuant to which it procured its subsidiaries to vote all their shares in PT ISM in favour of the resolutions proposed at the extraordinary general meeting of the shareholders of PT ISM to approve the transactions contemplated by the Injection Agreement (including the acquisition of the entire issued share capital of Indofood Oil & Fats Pte. Ltd.) if, *inter alia*, it were permitted to do so under the listing rules of the Hong Kong Stock Exchange;
- (f) the PT ISM and the Salim group deeds of undertaking each dated 8 December 2006 to mitigate certain potential conflicts of interest between the Salim group, PT ISM, the Group and FPIL and FPIL BVI;
- (g) the S&P Agreement;

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## APPENDIX A : ADDITIONAL INFORMATION

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- (h) the agreement dated 25 May 2007 entered into between the Company, PT SIMP and the Vendors pursuant to which the Company and PT SIMP agreed to give certain confidentiality undertakings to the Vendors in relation to certain information on the Lonsum Group;
- (i) the agreement dated 4 June 2007 entered into between PT SIMP and Lonsum pursuant to which PT SIMP agreed to give certain confidentiality undertakings to Lonsum in relation to information on the Lonsum Group;
- (j) the escrow agreement dated 6 July 2007 entered into between PT SIMP, the Ashmore Funds, First Durango and The Bank of New York (“**BONY**”) in relation to the appointment of BONY as escrow agent in respect of the Cash Consideration to be placed by PT SIMP with BONY to hold in escrow pending the FDS and Ashmore Completion;
- (k) the escrow agreement dated 24 July 2007 entered into between PT SIMP, the Ashmore Funds and Clifford Chance Wong Pte. Ltd. (“**CCWP**”) in relation to the appointment of CCWP as escrow agent in respect of the MCNs to be delivered by the Ashmore Funds to CCWP to hold in escrow pending the FDS and Ashmore Completion;
- (l) the loan/facility agreements entered into by PT SIMP with the various lenders as referred to under Sections 2.3.3 and 3 of this Circular;
- (m) the corporate guarantees executed by the Company in favour of the various bank lenders as referred to under Section 2.3.3 of this Circular; and
- (n) the Supplemental Agreement dated 28 August 2007 entered into between PT SIMP, the Company and the Vendors to, *inter alia*, amend certain terms of the S&P Agreement.

### 3. CONSENT

Kim Eng, the financial adviser to the Company in respect of the Proposed Acquisition, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

### 4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 80 Raffles Place, #22-23 UOB Plaza 2, Singapore 048624, during normal office hours from the date of this Circular up to and including the date of the EGM:-

- (a) the S&P Agreement;
- (b) the Supplemental Agreement;
- (c) the letter of consent of Kim Eng referred to in paragraph 3 above;
- (d) the audited consolidated financial statements of the Lonsum Group for FY2004, FY2005, FY2006 and FP2007 under Indonesian GAAP and IFRS;
- (e) the annual report of the Company for FY2006; and
- (f) the Memorandum and Articles of Association of the Company.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### INDOFOOD AGRI RESOURCES LTD.

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

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of Indofood Agri Resources Ltd. (the “**Company**”) will be held at Belvedere, 4th Floor, Grand Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on 23 October 2007 at 4.00 p.m. for the purpose of considering and, if thought fit, passing the following Ordinary Resolution:-

#### **AS AN ORDINARY RESOLUTION**

#### **Approval of the Proposed Transactions including the Proposed Consideration Shares Issue**

**THAT** the Proposed Transactions be and are hereby approved, and approval and authority be and are hereby given to the Directors:-

- (a) to carry out and implement the Proposed Transactions;
- (b) to allot and issue the Consideration Shares in connection with the Proposed Transactions on such terms and conditions as the Directors may deem fit; and
- (c) to do all acts and things as the Directors deem necessary or advisable in connection with the Proposed Transactions including amending the terms and conditions thereof.

All capitalised terms used in this Notice which are not defined herein shall unless the context otherwise requires have the same meanings ascribed to them in the Company’s Circular to Shareholders dated 2 October 2007 (including supplements and modifications thereto).

BY ORDER OF THE BOARD  
Indofood Agri Resources Ltd.

Mark Julian Wakeford  
Chief Executive Officer and Executive Director  
Singapore  
2 October 2007

#### **Notes:**

- (1) A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) The instrument or form appointing a proxy, duly executed, must be deposited at the registered office of the Company at 80 Raffles Place, #22-23 UOB Plaza 2, Singapore 048624 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting in order for the proxy to be entitled to attend and vote at the Extraordinary General Meeting.

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## PROXY FORM

### INDOFOOD AGRI RESOURCES LTD.

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

#### Important

1. For investors who have used their CPF monies to buy Indofood Agri Resources Ltd. shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

\*I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a \*member/members of **Indofood Agri Resources Ltd.** (the “**Company**”), hereby appoint

Name	*NRIC/Passport No.	Proportion of shareholdings	
		No. of Shares	%
Address			

\*and/or

Name	*NRIC/Passport No.	Proportion of shareholdings	
		No. of Shares	%
Address			

or failing \*him/them, the Chairman of the Meeting, as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf, and, if necessary, to demand a poll at the Extraordinary General Meeting of the Company to be held at Belvedere, 4th Floor, Grand Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on 23 October 2007 at 4.00 p.m. and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against the Ordinary Resolution to be proposed at the Extraordinary General Meeting as indicated with an “X” in the spaces provided hereunder. If no specific directions as to voting are given, the \*proxy/proxies will vote or abstain from voting at \*his/their discretion.

	To be used on a show of hands		To be used in the event of a poll	
	For <sup>(1)</sup>	Against <sup>(1)</sup>	No. of votes for <sup>(2)</sup>	No. of votes against <sup>(2)</sup>
<b>Ordinary Resolution</b>				
Approval of the Proposed Transactions, including the Proposed Consideration Shares Issue				

All capitalised terms used in this Proxy Form which are not defined herein shall have the same meanings ascribed to them in the Circular dated 2 October 2007 to Shareholders.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007

\_\_\_\_\_  
Signature(s) or Common Seal of Member(s)

	Total Number of Shares Held
CDP Register	
Register of Members	

(1) Please indicate your vote “For” or “Against”.

(2) If you wish to use all your votes “For” or “Against”, please indicate with an “X” within the box provided. Otherwise, please indicate the number of votes.

\* Delete accordingly

**IMPORTANT: Please read notes overleaf**



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## PROXY FORM

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### Notes:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy. If no such proportion or number is specified, the first-named proxy may be treated as representing 100% of the shareholdings and any second-named proxy as an alternate to the first-named proxy.
3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Extraordinary General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Extraordinary General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Extraordinary General Meeting.
4. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or other authority or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. This instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof, must be deposited at the registered office of the Company at 80 Raffles Place, #22-23 UOB Plaza 2, Singapore 048624 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Extraordinary General Meeting as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the Extraordinary General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time appointed for holding the Extraordinary General Meeting.