

First Pacific is committed to building and maintaining high standards of corporate governance. First Pacific has adopted its own Code on Corporate Governance Practices, which incorporates the principles and requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules. First Pacific applied the principles and complied with all the CG Code mandatory provisions throughout the accounting period covered by the interim report.

To ensure strict compliance with the CG Code, relevant amendments to the Company's Bye-laws were proposed and approved by shareholders at the 2005 annual general meeting, including provisions for the rotation of Directors. In addition, the Non-executive Directors (including the two Independent Non-executive Directors serving more than nine years) were re-elected for a specific term of three years.

The Company has also met all recommended best practices in the CG Code, except for the following:

1. The appointment of Independent Non-executive Directors ("INEDs") representing at least one-third of the board, currently only three out of a 12-member board are INEDs.
2. The disclosure of details of remuneration payable to members of senior management on an individual and named basis in the annual reports and accounts.
3. The announcement and publication of quarterly financial results within 45 days after the end of the relevant quarter.

The Audit Committee is currently composed of three Independent Non-executive Directors, with Mr. Graham L. Pickles, who possesses appropriate professional qualifications and experience in financial matters, acting as Chairman of the Audit Committee. This is in compliance with Rule 3.21 of the Listing Rules. Reporting to the Board of Directors, the Audit Committee reviews matters within the purview of the audit, such as Financial Statements and internal controls, to protect the interests of the Company and its shareholders. The Audit Committee meets regularly with the Company's external auditors to discuss the audit process and accounting issues.

Having made specific enquiry, all of the Directors have complied with the Company's code of conduct regarding directors' securities transactions, prepared and adopted on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules.

#### **Continuing connected transactions**

The Company disclosed in its 2004 Annual Report that after a comprehensive Group wide review designed to elicit detailed information in relation to all connected or potentially connected transactions under the Listing Rules involving the Company or its subsidiary companies, it had identified four series of continuing connected transactions entered into by Indofood, a 51.5% owned subsidiary company, and its subsidiary companies, during the financial year ended 31 December 2004. Subsequently, the Company published a paid announcement dated 26 April 2005 disclosing details of those transactions.

In respect of the current financial year, the Company identified that Indofood and its subsidiaries are party to the following continuing connected transactions (the "Transactions"), which are required to be disclosed to shareholders under the Listing Rules:

1. Transactions relating to the Noodle Business of the Indofood Group — a series of related continuing connected transactions relating to Indofood's noodle business, in an estimated aggregate amount of approximately US\$25.1 million for the year ending 31 December 2005. These transactions principally relate to the provision of raw materials or finished and packaging products, the provision of related technical services and the licensing of related trademarks to connected persons.

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2. Transactions relating to the Flour Business of the Indofood Group — a series of related continuing connected transactions relating to Indofood's flour business carried on by its Bogasari Flour Mills division, in an estimated aggregate amount of approximately US\$4.5 million for the year ending 31 December 2005. These transactions principally relate to the provision or purchase of raw materials or finished and packaging products and purchase of refined flour by connected persons.
3. Transactions relating to the Distribution Business of the Indofood Group — a series of related continuing connected transactions relating to Indofood's distribution division, in an estimated aggregate amount of approximately US\$18.7 million for the year ending 31 December 2005. These transactions principally relate to the distribution by Indofood's subsidiary, PT Indomarco Adi Prima, of biscuits, foodstuffs, beverages and other consumer products for or through connected persons.
4. Transactions relating to the Continuing Financing Arrangements — a continuing financing arrangement involving connected persons, in an estimated amount of approximately US\$4.7 million on the basis of the 2005 year end balance, or US\$7.4 million on the basis of the estimated maximum outstanding balance during the financial year ending 31 December 2005.

Based on the estimated maximum aggregate values of each continuing connected transaction and applying the percentage ratios (other than the profits ratio) as required by the Listing Rules, the Company has determined that the four series of related continuing connected transactions referred to above are required to be disclosed to the SEHK and the Company's shareholders in accordance with the requirements of Chapter 14A of the Listing Rules. The Company published a paid announcement dated 13 September 2005 disclosing details of those transactions.

Each of the above continuing connected transactions will be subject to annual review by the Independent Non-executive Directors of the Company pursuant to Rule 14A.37 of the Listing Rules and confirmation of the auditors of the Company pursuant to Rule 14A.38 of the Listing Rules.

The Directors (including the Independent Non-executive Directors) consider that the terms of each of the transactions referred to in this report are fair and reasonable and that they are in the best interests of the Company, Indofood and their respective shareholders.