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FIRST PACIFIC COMPANY LIMITED
第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)
Website: http://www.firstpacific.com
(Stock code: 00142)

PUBLICATION OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

In order to facilitate potential repayment and refinancing of existing secured debt through future fund-raisings in the debt capital markets, First Pacific Company Limited (the "Company") wishes to publish its audited consolidated financial statements for the year ended 31 December 2012.

This announcement is published on the website of the Company (www.firstpacific.com) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

On behalf of the Board
First Pacific Company Limited
Manuel V. Pangilinan
Managing Director and CEO

Hong Kong, 10 April 2013

As at the date of this announcement, the Board of Directors of the Company comprises three Executive Directors, being Mr. Manuel V. Pangilinan (Managing Director and CEO), Mr. Edward A. Tortorici and Mr. Robert C. Nicholson; four Non-executive Directors, being Mr. Anthoni Salim (Chairman), Mr. Tedy Djuhar, Mr. Benny S. Santoso and Mr. Napoleon L. Nazareno; and five Independent Non-executive Directors, being Prof. Edward K.Y. Chen, GBS, CBE, JP, Mr. Graham L. Pickles, Mr. Jun Tang, Mrs. Margaret Leung Ko May Yee, SBS, JP and Mr. Philip Fan Yan Hok.

INDEX TO THE FINANCIAL STATEMENTS

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(i) Unless otherwise defined herein or the context otherwise requires, capitalized terms and expressions used in these consolidated financial statements shall have the same meanings given to them in the Company's 2012 Audited Annual Results Announcement published on 19 March 2013.

Independent Auditors' Report

TO THE SHAREHOLDERS OF FIRST PACIFIC COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of First Pacific Company Limited (the Company) and its subsidiaries (together, the Group) set out on pages F-3 to F-93, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

19 March 2013

Consolidated Financial Statements

Consolidated Income Statement

For the year ended 31 December US$ millions	Notes	**2012**	2011 (Restated)[i]
Turnover	4	**5,990.8**	5,684.1
Cost of sales		**(4,128.9)**	(3,910.3)
Gross Profit		**1,861.9**	1,773.8
Gain on dilutions, net		**14.4**	209.9
Distribution expenses		**(432.1)**	(405.2)
Administrative expenses		**(443.5)**	(396.1)
Other operating income, net		**22.3**	39.1
Interest income		**75.0**	68.9
Finance costs	5	**(273.7)**	(255.5)
Share of profits less losses of associated companies and joint ventures		**235.7**	278.3
Profit Before Taxation	6	**1,060.0**	1,313.2
Taxation	7	**(229.8)**	(215.8)
Profit for the Year		**830.2**	1,097.4
Attributable to:			
Owners of the parent	8	**348.8**	574.0
Non-controlling interests		**481.4**	523.4
		830.2	1,097.4
Earnings Per Share Attributable to Owners of the Parent (U.S. cents)	9		
Basic		**9.09**	14.81
Diluted		**8.99**	14.60

(i) Refer to Note 2(B)

Details of the dividend proposed for the year are disclosed in Note 10 to the Consolidated Financial Statements.

The Notes on pages F-11 to F-93 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December US$ millions	**2012**	2011 (Restated)(i)
Profit for the Year	**830.2**	1,097.4
Other Comprehensive (Loss)/Income		
Exchange differences on translating foreign operations	**(37.0)**	(77.1)
Unrealized (losses)/gains on available-for-sale assets	**(22.8)**	30.4
Unrealized (losses)/gains on cash flow hedges	**(6.1)**	12.2
Realized losses on cash flow hedges	**1.1**	1.6
Income tax related to cash flow hedges	**2.2**	(2.5)
Actuarial (losses)/gains on defined benefit pension plans	**(58.4)**	38.2
Revaluation increment of assets	**1.8**	–
Other comprehensive (loss)/income for the year, net of tax	**(119.2)**	2.8
Total Comprehensive Income for the Year	**711.0**	1,100.2
Attributable to:		
Owners of the parent	**359.8**	596.7
Non-controlling interests	**351.2**	503.5
	711.0	1,100.2

(i) Refer to Note 2(B)

The Notes on pages F-11 to F-93 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

At 31 December US$ millions	Notes	**2012**	2011
Non-current Assets			
Property, plant and equipment	11	**1,824.3**	1,651.7
Plantations	12	**1,301.5**	1,280.9
Associated companies and joint ventures	14	**3,292.4**	3,035.1
Goodwill	15	**808.2**	819.6
Other intangible assets	16	**2,305.8**	2,105.9
Accounts receivable, other receivables and prepayments	17	**190.6**	32.5
Available-for-sale assets	18	**41.9**	33.1
Deferred tax assets	19	**132.3**	109.9
Pledged deposits	20	**11.1**	11.1
Other non-current assets	21	**288.4**	236.0
		10,196.5	9,315.8
Current Assets			
Cash and cash equivalents	22	**2,175.0**	1,875.4
Restricted cash	20	**33.1**	43.7
Available-for-sale assets	18	**58.7**	63.4
Accounts receivable, other receivables and prepayments	17	**600.0**	581.8
Inventories	23	**816.7**	731.7
		3,683.5	3,296.0
Current Liabilities			
Accounts payable, other payables and accruals	24	**984.4**	796.5
Short-term borrowings	25	**926.5**	1,119.3
Provision for taxation	26	**39.0**	49.6
Current portion of deferred liabilities and provisions	27	**119.7**	137.6
		2,069.6	2,103.0
Net Current Assets		**1,613.9**	1,193.0
Total Assets Less Current Liabilities		**11,810.4**	10,508.8
Equity			
Issued share capital	28	**38.3**	38.5
Retained earnings		**1,431.3**	1,284.6
Other components of equity	29	**1,763.7**	1,699.6
Equity attributable to owners of the parent		**3,233.3**	3,022.7
Non-controlling interests	30	**4,010.7**	3,856.5
Total Equity		**7,244.0**	6,879.2
Non-current Liabilities			
Long-term borrowings	25	**3,438.5**	2,575.7
Deferred liabilities and provisions	27	**691.2**	607.2
Deferred tax liabilities	19	**436.7**	446.7
		4,566.4	3,629.6
		11,810.4	10,508.8

The Notes on pages F-11 to F-93 form an integral part of the Consolidated Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

ROBERT C. NICHOLSON
Executive Director

19 March 2013

Company Statement of Financial Position

At 31 December US$ millions	Notes	2012	2011
Non-current Assets			
Subsidiary companies	13	**1,028.4**	1,028.4
		1,028.4	1,028.4
Current Assets			
Cash and cash equivalents	22	**558.6**	85.4
Amounts due from subsidiary companies	13(A)	**2,494.9**	2,465.0
Other receivables and prepayments		**0.2**	0.5
		3,053.7	2,550.9
Current Liabilities			
Amounts due to subsidiary companies	13(B)	**742.0**	928.1
Other payables and accruals		**3.7**	1.1
		745.7	929.2
Net Current Assets		**2,308.0**	1,621.7
Total Assets Less Current Liabilities		**3,336.4**	2,650.1
Equity			
Issued share capital	28	**38.3**	38.5
Retained earnings		**135.5**	106.5
Other components of equity		**1,519.3**	1,502.1
Equity attributable to owners of the parent		**1,693.1**	1,647.1
Non-current Liabilities			
Loans from subsidiary companies	13(C)	**1,643.3**	1,003.0
		3,336.4	2,650.1

The Notes on pages F-11 to F-93 form an integral part of the Consolidated Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

ROBERT C. NICHOLSON
Executive Director

19 March 2013

Consolidated Statement of Changes in Equity

		Equity attributable to owners of the parent												
US$ millions	Notes	Issued share capital	Share premium	Share options issued	Exchange reserve	Unrealized gains/(losses) on available-for-sale assets	Unrealized (losses)/ gains on cash flow hedges	Income tax related to cash flow hedges	Differences arising from changes in equities of subsidiary companies	Capital and other reserves	Retained earnings	Total	Non–controlling interests	Total equity
Balance at 1 January 2011		39.0	1,273.0	40.2	95.4	27.7	(4.8)	(1.0)	235.4	11.6	858.7	2,575.2	3,036.9	5,612.1
Profit for the year (Restated)[i]		–	–	–	–	–	–	–	–	–	574.0	574.0	523.4	1,097.4
Other comprehensive (loss)/income for the year (Restated)[i]		–	–	–	(39.7)	23.8	14.2	(2.5)	–	–	26.9	22.7	(19.9)	2.8
Total comprehensive income for the year		–	–	–	(39.7)	23.8	14.2	(2.5)	–	–	600.9	596.7	503.5	1,100.2
Issue of shares upon the exercise of share options	28(A)	0.2	16.2	(5.4)	–	–	–	–	–	–	–	11.0	–	11.0
Repurchase and cancellation of shares	28(B)	(0.7)	–	–	–	–	–	–	–	0.7	(69.4)	(69.4)	–	(69.4)
Equity-settled share option arrangements		–	–	4.9	–	–	–	–	–	–	–	4.9	0.3	5.2
Acquisition, dilution and divestment of interests in subsidiary companies		–	–	–	(1.3)	–	–	–	13.2	–	–	11.9	453.9	465.8
Dilution and divestment of interests in associated companies		–	–	–	(2.0)	–	–	–	–	–	–	(2.0)	–	(2.0)
2010 final dividend		–	–	–	–	–	–	–	–	–	(60.0)	(60.0)	–	(60.0)
2011 interim dividend	10	–	–	–	–	–	–	–	–	–	(39.6)	(39.6)	–	(39.6)
2011 special dividend	10	–	–	–	–	–	–	–	–	–	(6.0)	(6.0)	–	(6.0)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(138.1)	(138.1)
Balance at 31 December 2011		38.5	1,289.2	39.7	52.4	51.5	9.4	(3.5)	248.6	12.3	1,284.6	3,022.7	3,856.5	6,879.2
Balance at 1 January 2012		38.5	1,289.2	39.7	52.4	51.5	9.4	(3.5)	248.6	12.3	1,284.6	3,022.7	3,856.5	**6,879.2**
Profit for the year		–	–	–	–	–	–	–	–	–	348.8	348.8	481.4	**830.2**
Other comprehensive income/(loss) for the year		–	–	–	76.5	(21.9)	(4.4)	2.2	–	1.0	(42.4)	11.0	(130.2)	**(119.2)**
Total comprehensive income for the year		–	–	–	76.5	(21.9)	(4.4)	2.2	–	1.0	306.4	359.8	351.2	**711.0**
Issue of shares upon the exercise of share options	28(A)	0.3	23.0	(7.5)	–	–	–	–	–	–	–	15.8	–	**15.8**
Repurchase and cancellation of shares	28(B)	(0.5)	–	–	–	–	–	–	–	0.5	(56.5)	(56.5)	–	**(56.5)**
Equity-settled share option arrangements		–	–	1.6	–	–	–	–	–	–	–	1.6	–	**1.6**
Reserves of a disposal group of associated companies classified as held for sale		–	–	–	13.1	–	(0.6)	0.2	–	(12.7)	–	–	–	**–**
Acquisition, dilution and divestment of interests in subsidiary companies		–	–	–	–	–	–	–	0.8	–	–	0.8	(15.3)	**(14.5)**
Acquisition and dilution of interests in associated companies		–	–	–	–	–	–	–	(7.1)	–	–	(7.1)	–	**(7.1)**
Revaluation increment of assets removed from other comprehensive income to retained earnings		–	–	–	–	–	–	–	–	(0.6)	0.6	–	–	**–**
2011 final dividend	10	–	–	–	–	–	–	–	–	–	(64.2)	(64.2)	–	**(64.2)**
2012 interim dividend	10	–	–	–	–	–	–	–	–	–	(39.6)	(39.6)	–	**(39.6)**
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(181.7)	**(181.7)**
Balance at 31 December 2012		**38.3**	**1,312.2**	**33.8**	**142.0**	**29.6**	**4.4**	**(1.1)**	**242.3**	**0.5**	**1,431.3**	**3,233.3**	**4,010.7**	**7,244.0**

(i) Refer to Note 2(B)

The Notes on pages F-11 to F-93 form an integral part of the Consolidated Financial Statements.

Company Statement of Changes in Equity

US$ millions	Notes	Issued share capital	Share premium	Share options issued	Capital redemption reserve	Contributed surplus	Retained earnings	Total
Balance at 1 January 2011		39.0	1,273.0	39.4	0.5	173.8	262.2	1,787.9
Profit for the year		–	–	–	–	–	19.3	19.3
Issue of shares upon the exercise of share options	28(A)	0.2	16.2	(5.4)	–	–	–	11.0
Repurchase and cancellation of shares	28(B)	(0.7)	–	–	0.7	–	(69.4)	(69.4)
Equity-settled share option arrangements		–	–	3.9	–	–	–	3.9
2010 final dividend		–	–	–	–	–	(60.0)	(60.0)
2011 interim dividend	10	–	–	–	–	–	(39.6)	(39.6)
2011 special dividend	10	–	–	–	–	–	(6.0)	(6.0)
Balance at 31 December 2011		38.5	1,289.2	37.9	1.2	173.8	106.5	**1,647.1**
Profit for the year		–	–	–	–	–	189.3	**189.3**
Issue of shares upon the exercise of share options	28(A)	0.3	23.0	(7.5)	–	–	–	**15.8**
Repurchase and cancellation of shares	28(B)	(0.5)	–	–	0.5	–	(56.5)	**(56.5)**
Equity-settled share option arrangements		–	–	1.2	–	–	–	**1.2**
2011 final dividend	10	–	–	–	–	–	(64.2)	**(64.2)**
2012 interim dividend	10	–	–	–	–	–	(39.6)	**(39.6)**
Balance at 31 December 2012		**38.3**	**1,312.2**	**31.6**	**1.7**	**173.8**	**135.5**	**1,693.1**

The Notes on pages F-11 to F-93 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December US$ millions	Notes	2012	2011 (Restated)[i]
Profit Before Taxation		**1,060.0**	1,313.2
Adjustments for:			
Finance costs	5	**273.7**	255.5
Depreciation	6	**143.9**	127.4
Amortization of other intangible assets	6	**93.7**	84.1
Foreign exchange and derivative losses, net	6	**8.9**	12.6
Impairment losses	6	**3.7**	6.6
Equity-settled share option expense	33(A)	**1.6**	4.8
Loss/(gain) on sale of property, plant and equipment	6	**0.2**	(5.4)
Share of profits less losses of associated companies and joint ventures		**(235.7)**	(278.3)
Interest income		**(75.0)**	(68.9)
Gain on dilution of interests in associated companies	6	**(14.4)**	(209.9)
Preferred shares dividend income from a joint venture	6	**(13.3)**	(6.5)
Gain on changes in fair value of plantations	6	**(5.9)**	(48.5)
Others		**16.0**	(0.3)
		1,257.4	1,186.4
Increase in accounts payable, other payables and accruals		**355.9**	100.0
Decrease in accounts receivable, other receivables and prepayments (Non-current)		**9.5**	4.7
Increase in inventories		**(133.0)**	(103.6)
Increase in other non-current assets		**(57.1)**	(21.0)
Increase in accounts receivable, other receivables and prepayments (Current)		**(13.0)**	(107.6)
Net cash generated from operations		**1,419.7**	1,058.9
Interest received		**75.6**	70.0
Interest paid		**(266.3)**	(256.6)
Taxes paid	26	**(253.5)**	(229.8)
Net Cash Flows from Operating Activities		**975.5**	642.5
Dividends received from associated companies	14(B)	**245.4**	259.5
Preferred share dividends received from a joint venture		**13.3**	6.5
Proceeds from sale of property, plant and equipment		**5.6**	10.8
Purchase of property, plant and equipment		**(423.7)**	(255.7)
Investment in a convertible note	31(A)	**(160.9)**	–
Investments in other intangible assets		**(160.6)**	(204.4)
Investments in plantations		**(117.3)**	(101.6)
Increased investments in a joint venture	31(B)	**(64.2)**	–
Loan to an associated company		**(26.7)**	–
Investments in associated companies	31(C)	**(25.3)**	–
Acquisition of available-for-sale assets		**(7.5)**	(5.7)
Acquisition of a subsidiary company	31(D)	**(4.9)**	(8.8)
Increased investments in associated companies		**(3.6)**	(476.6)
Proceeds from disposal of available-for-sale assets		**–**	1.2
Proceeds from disposal of plantations		**–**	0.2
Net Cash Flows Used in Investing Activities		**(730.4)**	(774.6)

(i) Refer to Note 2(B)

continued/...

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December US$ millions	Notes	2012	2011 (Restated)[i]
Proceeds from new borrowings		**1,274.7**	1,168.2
Proceeds from issue of shares upon the exercise of share options		**15.8**	11.0
Decrease/(increase) in pledged deposits and restricted cash		**13.2**	(1.4)
Proceeds from shares issued to non-controlling interests by subsidiary companies		**3.5**	479.5
Proceeds from divestment of interests in subsidiary companies		**1.3**	13.1
Decrease/(increase) in time deposits with original maturity of more than three months		**0.2**	(0.4)
Borrowings repaid		**(766.6)**	(861.2)
Dividends paid to non-controlling shareholders by subsidiary companies		**(181.7)**	(138.1)
Dividends paid to shareholders		**(103.8)**	(105.6)
Purchase of preferred shares of a joint venture	31(E)	**(84.7)**	–
Repurchase of shares		**(54.2)**	(69.4)
Increased investments in subsidiary companies		**(21.3)**	(11.2)
Repurchase of subsidiary companies' shares		**(4.7)**	(9.5)
Net Cash Flows from Financing Activities		**91.7**	475.0
Net Increase in Cash and Cash Equivalents		**336.8**	342.9
Cash and cash equivalents at 1 January		**1,874.9**	1,538.7
Exchange translation		**(50.0)**	(6.7)
Cash and Cash Equivalents at 31 December		**2,161.7**	1,874.9
Representing			
Cash and cash equivalents		**2,175.0**	1,875.4
Less bank overdrafts		**(13.0)**	–
Less time deposits with original maturity of more than three months		**(0.3)**	(0.5)
Cash and Cash Equivalents at 31 December		**2,161.7**	1,874.9

(i) Refer to Note 2(B)

The Notes on pages F-11 to F-93 form an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Corporate Information

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

The Group comprises the Company and its subsidiary companies.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company's ordinary shares are listed on the SEHK. Its shares are also available for trading in the United States through ADRs (Level 1).

2. Basis of Preparation, Summary of Principal Accounting Policies and Change

(A) Basis of Preparation

The Consolidated Financial Statements have been prepared in accordance with HKFRSs (which include all HKFRSs, HKASs and HK(IFRIC)-Ints) issued by the HKICPA, Hong Kong GAAP, the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Consolidated Financial Statements have been prepared under the historical cost convention except for plantations, available-for-sale assets and derivative financial instruments which, as disclosed in the accounting policies below, are stated at fair value. These Consolidated Financial Statements are presented in United States (U.S.) dollars and all values are rounded to the nearest million (US$ millions) with one decimal place except when otherwise indicated.

(B) Impact of Revised HKFRSs and Change in Accounting Policy

During 2012, the Group has adopted the following revised HKFRSs issued by the HKICPA for the first time for the current year's financial statements:

HKAS 12 Amendments	"Recovery of Underlying Assets"(i)
HKFRS 1 Amendments	"Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"(ii)
HKFRS 7 Amendments	"Transfers of Financial Assets"(ii)

(i) Effective for annual periods commencing on or after 1 January 2012
(ii) Effective for annual periods commencing on or after 1 July 2011

The adoption of the above pronouncements has had no effect on both the profit attributable to owners of the parent for the years ended 31 December 2012 and 31 December 2011 and the equity attributable to owners of the parent at 31 December 2012 and 31 December 2011.

During 2012, the Group has changed its accounting policy for pension obligations by recognizing all actuarial gains/losses on defined benefit pension plans in the period in which they occur in the other comprehensive income (i.e. directly into equity) instead of in the income statement, whereby both methods are permitted policy choices under the prevailing HKAS 19 "Employee Benefits". The change was made as the Directors consider that the removal of the impact of short-term volatility in the value of the obligations and assets of long-term defined benefit pension plans on the Group's profit or loss can better reflect the Group's profitability. The above change in accounting policy has been applied retrospectively, resulting in a restatement of the Group's prior year financial information. The effects of the change are summarized below:

Effects of Change in Accounting Policy on the Consolidated Income Statement for the Years Ended 31 December 2012 and 2011

For the year ended 31 December US$ millions	**2012**	2011
Increase/(decrease) in other operating income, net	**43.7**	(7.7)
Increase/(decrease) in share of profits less losses of associated companies and joint ventures	**25.6**	(32.1)
(Increase)/decrease in taxation	**(10.9)**	1.6
Increase/(decrease) in profit for the year	**58.4**	(38.2)
Attributable to:		
Owners of the parent	**42.4**	(26.9)
Non-controlling interests	**16.0**	(11.3)
Increase/(decrease) in profit for the year	**58.4**	(38.2)
Increase/(decrease) in earnings per share attributable to owners of the parent (U.S. cents)		
Basic	**1.11**	(0.69)
Diluted	**1.09**	(0.69)

The above retrospective application of the change in accounting policy has had no effect on the consolidated statement of financial position at 1 January 2011. Accordingly, a consolidated statement of financial position at 1 January 2011 is not presented in these Consolidated Financial Statements.

(C) Impact of Issued But Not Yet Effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these Consolidated Financial Statements.

HKAS 1 Amendments	"Presentation of Items of Other Comprehensive Income"(i)
HKAS 19 (2011)	"Employee Benefits"(ii)
HKAS 27 (2011)	"Separate Financial Statements"(ii)
HKAS 28 (2011)	"Investments in Associates and Joint Ventures"(ii)
HKAS 32 Amendments	"Offsetting Financial Assets and Financial Liabilities"(iii)
HKFRS 1 Amendments	"Government Loans"(ii)
HKFRS 7 Amendments	"Offsetting Financial Assets and Financial Liabilities"(ii)
HKFRS 9	"Financial Instruments"(iv)
HKFRS 10	"Consolidated Financial Statements"(ii)
HKFRS 11	"Joint Arrangements"(ii)
HKFRS 12	"Disclosure of Interests in Other Entities"(ii)
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	"Transition Guidance"(ii)
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	"Investment Entities"(iii)
HKFRS 13	"Fair Value Measurement"(ii)
HK(IFRIC)-Int 20	"Stripping Costs in the Production Phase of a Surface Mine"(ii)
Improvements to HKFRSs	"Annual Improvements to HKFRSs 2009-2011 Cycle"(ii)

(i) Effective for annual periods commencing on or after 1 July 2012
(ii) Effective for annual periods commencing on or after 1 January 2013
(iii) Effective for annual periods commencing on or after 1 January 2014
(iv) Effective for annual periods commencing on or after 1 January 2015

HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point of time when specific conditions are met would be presented separately from items which will never be reclassified (or recycled).

HKAS 19 (2011) requires the recognition of all the actuarial gains and losses on defined benefit pension plans in other comprehensive income (i.e. directly into equity) in the period in which they occur. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit pension plans.

As a result of the issuance of a new package of group accounting standards of HKFRS 10, HKFRS 11 and HKFRS 12 (as described below), HKAS 27 (2011) and HKAS 28 (2011) were issued reflecting certain consequential structural amendments made.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of (i) "currently has a legally enforceable right to set off" and (ii) the application of the offsetting criteria in HKAS 32 to settlement systems, such as central clearing house systems, which apply gross settlement mechanisms that are not simultaneous.

HKFRS 1 Amendments require a first-time adopter to classify all government loans received as a financial liability or an equity instrument in accordance with HKAS 32 "Financial Instruments: Presentation" and apply the requirements in HKFRS 9 "Financial Instruments" and HKAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" prospectively to government loans existing at the date of transition to HKFRSs and not to recognize the corresponding benefit of the government loan at a below-market rate of interest as a government grant.

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

HKFRS 9 simplifies the many different rules in HKAS 39 "Financial Instruments: Recognition and Measurement" into a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard revises the measurement of financial liabilities designated as fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk is required to be presented in other comprehensive income, whereas the remainder of the change in fair value is required to be presented in profit or loss. HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities should be consolidated. According to the new definition of control, an investor is considered to have control over an investee if and only if the investor has the three elements of control over the investee – (i) power over the investee, (ii) exposure, or rights, to variable returns from its involvement with the investee and (iii) the ability to use its power over the investee to affect the amount of the investor's return. In determining whether an investor has power over an investee, the standard explicitly includes a concept of de facto control, which means that an investor with less than a majority of the voting rights in an investee but has the practical ability to direct the relevant activities of that investee unilaterally (by taking into account of the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders, potential voting rights, and rights arising from other contractual arrangements, etc.) is considered to have power over the investee to affect its return from the investee. The standard replaces the portion of HKAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. HKFRS 10 and HKAS 27 (2011) together superseded HKAS 27 and HK(SIC) Int-12 "Consolidation – Special Purpose Entities".

HKFRS 11 describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures and removes the option to account for joint ventures using the proportionate consolidation method. HKFRS 11 superseded HKAS 31 “Interests in Joint Ventures” and HK(SIC)Int-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”.

HKFRS 12 requires an entity to disclose information which includes disclosure requirements for subsidiary companies, joint arrangements, associated companies and unconsolidated structured entities that enables the users of the financial statements to evaluate (i) the nature of, and risks associated with, the interests in other entities; and (ii) the effects of those interests on the financial position, financial performance and cash flows.

HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards if the measuring of an investee’s assets, liabilities and non-controlling interests is impracticable, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

HKFRS 10 Amendments include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidating them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities.

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date with an emphasis that fair value is a market-based measurement, not an entity-specific measurement. The standard also provides a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which an entity is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs.

HK(IFRIC)-Int 20 provides guidance on the accounting for production stripping costs incurred by entities engaged in the surface mining industry. The production stripping costs represent the waste removal costs that are incurred in surface mining activity during the production phase of the mine. The interpretation requires an entity to account for the costs of stripping activity as either (i) inventories, if the benefit from the stripping activity is realized in the form of inventory produced; or (ii) a non-current stripping activity asset to the extent that the benefit is improved access to ore, which is required to be initially measured at cost and subsequently carried at either its cost or its revalued amount less depreciation or amortization and less impairment losses. The interpretation requires the stripping activity assets to be depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Annual Improvements to HKFRSs 2009-2011 Cycle sets out amendments to a number of HKFRSs, which include certain changes that may result in accounting changes for presentation, recognition or measurement purposes. The key amendments are summarized as follows:

HKAS 1 “Presentation of Financial Statements” clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements. In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

HKAS 16 “Property, Plant and Equipment” clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognized in accordance with HKAS 16 when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

HKAS 32 “Financial Instruments: Presentation” clarifies that income taxes arising from (i) distributions to equity holders and (ii) transaction costs of an equity transaction are accounted for in accordance with HKAS 12 “Income Taxes”. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income taxes arising from (i) distributions to equity holders and (ii) transaction costs of an equity transaction.

HKAS 34 “Interim Financial Reporting” requires an entity to (a) disclose comparative information in respect of the preceding period for all amounts reported in the interim financial statements and (b) comparative information for narrative and descriptive information when it is relevant to an understanding of the interim financial statements. The amendments also require an entity to present a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements.

The Group has not early adopted the above new and revised HKFRSs for the year ended 31 December 2012. The Company has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position and presentation of its Consolidated Financial Statements.

(D) Summary of Principal Accounting Policies

(a) Basis of consolidation

(I) Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its subsidiary companies for the year ended 31 December 2012. All significant intra-group transactions and balances within the Group are eliminated on consolidation.

A subsidiary company is an entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the entity, directly or indirectly, so as to obtain benefits from its activities. Pursuant to HKAS 27 “Consolidated and Separate Financial Statements”, in determining whether a company will be consolidated, potential voting rights that presently are exercisable, where applicable to certain Philippine affiliates of the Company, are taken into account.

Non-controlling interests represent the interests of non-controlling shareholders not held by the Group in the results and net positions of the Company’s subsidiary companies.

The results of subsidiary companies are included in the consolidated income statement from the effective date of acquisition, being the date on which the Group obtains control, or up to the effective date of disposal, as appropriate. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Total comprehensive losses are attributed to the non-controlling interests even if it results in a deficit balance.

A change in the ownership interest of a subsidiary company, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary company, it (i) derecognizes the assets (including goodwill) and liabilities of the former subsidiary company at their carrying amounts, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary company, (iii) derecognizes the components of other comprehensive income (e.g., cumulative exchange reserve) recorded in equity attributable to the former subsidiary company, (iv) recognizes the fair value of the consideration received, (v) recognizes the fair value of any investment in the former subsidiary company retained, (vi) recognizes any resulting difference as a gain or loss on disposal in profit or loss, (vii) reclassifies the parent's share of components of the former subsidiary company previously recognized in other comprehensive income (except revaluation reserve) to profit or loss, (viii) transfers the parent's share of the former subsidiary company's revaluation reserve previously recognized in other comprehensive income directly to retained earnings and (ix) transfers the related differences arising from changes in shareholdings of subsidiary companies without a change of control previously recognized as other reserves directly to retained earnings.

(II) Business combination

The acquisition of subsidiary companies during the year has been accounted for using the acquisition method of accounting. This method involves allocating the consideration transferred to the vendor to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The consideration transferred is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Non-controlling interests in the acquirees (that are present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation) are measured either at the non-controlling interests' proportionate share of the acquirees' identifiable net assets or at their fair values. All other components of non-controlling interests are measured at fair values. All acquisition-related costs are recognized as expenses in profit or loss. Contingent consideration is measured at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" is measured at fair value with changes in fair value either recognized in profit or loss or as a charge to other comprehensive income depending on its classification in accordance with HKAS 39. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Goodwill is calculated as the excess of the consideration transferred over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition.

For step acquisitions, the Group's previously held equity interests are remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

For business combinations involving entities or businesses under common control (a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory), they are accounted for applying the principles of merger accounting which is consistent with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The method requires the combined entity to recognize the assets, liabilities and equity of the combining entities or businesses at the carrying amounts (i.e., existing book values from the controlling parties' perspective) in the consolidated financial statements of the controlling party or parties prior to the common control combination. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identified assets, liabilities and contingent liabilities over the cost at the time of the common control combination to the extent of the controlling party's or parties' interests.

(III) Separate financial statements

In the Company's statement of financial position, investments in subsidiary companies are stated at cost less any provision for impairment losses. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

(b) Cash and cash equivalents

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value, and with original maturities of three months or less from the date of acquisition, less bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

(c) Accounts and other receivables

Accounts and other receivables, categorized as loans and receivables, are recognized initially at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that their amounts due according to the original terms of the receivable cannot be collected in full. The amount of loss is measured as the difference between the asset's carrying amount and the present value of future cash flows. The carrying amount of the receivables is reduced through the use of a provision account and the amount of loss is recognized as an expense in the consolidated income statement. When an account and other receivable has no realistic prospect of future recovery, it is written off against the provision for accounts and other receivables. Subsequent recoveries of amounts previously written-off are included as income in the consolidated income statement.

(d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method, the weighted average method or the moving average method, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. The cost of goods purchased for resale includes costs incurred in bringing the goods to their present location. Net realizable value is determined on the basis of current anticipated selling prices less estimates of costs to completion and selling expenses. The Group provides allowance for obsolescence and/or decline in market values of inventories based on periodic reviews of the physical conditions and net realizable value.

(e) Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, calculated on the straight-line basis at annual rates estimated to write off their book values to residual values over their expected useful lives. Details of depreciation rates are set out in Note 11(A) to the Consolidated Financial Statements.

The initial cost of property, plant and equipment comprises its purchase price and any costs directly attributable in bringing the asset to its working condition and location for its intended use. Cost also includes asset retirement obligations, interest on borrowed funds used during the construction period and qualified finance costs from foreign exchange losses related to foreign currency denominated liabilities used to acquire such assets. Major costs incurred in restoring property, plant and equipment to their normal working condition are normally charged to the consolidated income statement. Where the recognition criteria are satisfied, improvements are capitalized and depreciated over their expected useful lives to the Group. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated income statement.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

(f) Plantations

Plantations, which primarily comprise oil palm, rubber and sugar cane plantations, are stated at fair value less costs to sell. Gain or loss arising on initial recognition of plantations at fair value less costs to sell and from the change in fair value less costs to sell of plantations at each reporting date are included in the consolidated income statement for the period in which they arise.

The fair value of the plantations is estimated by reference to independent professional valuations using the discounted cash flows of the underlying plantations, mainly oil palm, rubber and sugar cane. The expected cash flows from the whole life cycle of the oil palm, rubber and sugar cane plantations are determined using the market prices of the estimated yields of the FFB, cup lumps and sugar canes, respectively, net of maintenance and harvesting costs, and any costs required to bring the oil palm, rubber and sugar cane plantations to maturity. The estimated yields of the oil palm, rubber and sugar cane plantations are dependent on the age of the oil palm, rubber and sugar cane trees, the location of the plantations, soil type and infrastructure. The market prices of the FFB, rubber and sugar canes are largely dependent on the prevailing market prices of the CPO, PKO, RSS1 and other rubber products of the Group, and sugar, respectively.

Oil palm trees have an estimated average productive life that ranges from 20 to 25 years of which the first three to four years as immature and the remaining years as mature.

Rubber trees have an estimated average productive life that ranges from 20 to 25 years of which the first five to six years as immature and the remaining years as mature.

Sugar cane trees are ready for harvest in 12 months and can be harvested for an average of four years.

(g) Associated companies

An associated company is an entity, not being a subsidiary company or a joint venture, in which the Group over whose management is in a position to exercise significant influence, including participation in the financial and operating policy decisions. Generally, significant influence is assumed to exist when the Group has a long-term interest of not less than 20% of the equity voting rights in the entity.

Investments in associated companies are accounted for by the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's investments in associated companies include goodwill (net of any accumulated impairment losses) identified on acquisition. The Group's share of its associated companies' post-acquisition profits and losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Income from associated companies is stated in the consolidated income statement as the Group's share of profits less losses of associated companies. For the share of associated companies' post acquisition movements in reserves recognized in the Group's consolidated reserves, the Group will disclose them, when applicable in the consolidated statement of changes in equity.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

The Group discontinues the use of the equity method from the date when it ceases to have significant influence over an associated company and accounts for the investment in accordance with HKAS 39 from that date. On the loss of significant influence, the Group measures at fair value any investment that the Group retains in the former associated company. The Group recognizes in the consolidated income statement any difference between (i) the fair value of any retained investment and any proceeds from disposing of the part interest in the associated company and (ii) the carrying amount of the investment at the date when significant influence is lost. When an investment ceases to be an associated company and is accounted for in accordance with HKAS 39, the fair value of the investment at the date when it ceases to be an associated company shall be regarded as its fair value on initial recognition as a financial asset.

(h) Joint ventures

The Group has interests in joint ventures which are jointly-controlled entities, whereby the venturers have contractual arrangements that establish joint controls over the economic activities of the entities, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entities.

The Group's investments in joint ventures are accounted for by the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's investments in joint ventures include goodwill (net of any accumulated impairment losses) identified on acquisition. The Group's share of its joint ventures' post-acquisition profits and losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Income from joint ventures is stated in the consolidated income statement as the Group's share of profits less losses of joint ventures. For the share of joint ventures' post acquisition movements in reserves recognized in the Group's consolidated reserves, the Group will disclose them, when applicable in the consolidated statement of changes in equity.

Equity accounting is discontinued when the carrying amount of the investment in a joint venture reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the joint venture.

The Group discontinues the use of the equity method from the date when it ceases to have joint control and significant influence over a joint venture and accounts for the investment in accordance with HKAS 39 from that date. On the loss of joint control and significant influence, the Group measures at fair value any investment that the Group retains in the former joint venture. The Group recognizes in the consolidated income statement any difference between (i) the fair value of any retained investment and any proceeds from disposing of the part interest in the joint venture and (ii) the carrying amount of the investment at the date when joint control and significant influence are lost. When an investment ceases to be a joint venture and is accounted for in accordance with HKAS 39, the fair value of the investment at the date when it ceases to be a joint venture shall be regarded as its fair value on initial recognition as a financial asset.

(i) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired from business combinations is initially recognized at fair value as at the date of acquisition. Additions of service concession assets subsequent to business combinations are initially measured at present value of any additional estimated future concession fee payments pursuant to the concession agreements and/or the costs of rehabilitation works incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The Group's concession assets represent the fair value of concessions of right granted by governments to charge users of public services provided. The concession assets are amortized using the straight-line method over the term of the concessions. The Group's brands represent the brands for its various milk-related products. The brands are amortized using the straight-line method over their estimated useful lives.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(j) Accounts and other payables

Accounts and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

(k) Asset retirement obligations

The net present value of legal obligations associated with the retirement of an item of property, plant and equipment that resulted from the acquisition, construction or development of property, plant and equipment is recognized in the period in which the obligations arise.

(l) Income tax

Income tax comprises current and deferred taxes. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Deferred tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences (with limited exceptions) while deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses (with limited exceptions). The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Conversely, previously unrecognized deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(m) Provisions, contingent liabilities and assets

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the effect of discounting is material, the amount recognized for a provision is the present value, at the end of the reporting period, of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount, arising from the passage of time, is included in finance costs in the consolidated income statement.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general guidance for provisions above and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

Contingent assets represent assets arising from unplanned or unexpected events that give rise to the possibility of an inflow of economic benefits to the Group. Contingent assets are not recognized in the Group's financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable.

(n) Impairment of non-financial assets

An assessment is made at the end of each reporting period as to whether there is an indication of impairment of assets including property, plant and equipment, other intangible assets and other non-current assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's fair value less costs to sell and value in use.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, then the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognized impairment loss of all assets other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset. However, this is limited and will not give rise to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years.

A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(o) Accounting for acquisition and disposal

(I) Results

The results of subsidiary companies acquired or disposed of are accounted for from or to the effective date of obtaining or losing control.

(II) Fair value adjustments

On the acquisition of a subsidiary company or an interest in an associated company, the consideration transferred is allocated to the fair values of the identifiable assets, liabilities and contingent liabilities acquired.

(III) Goodwill

Goodwill represents the excess of the consideration transferred over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired and its amount will be written down for impairment when it is considered necessary. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. A previously recognized impairment loss for goodwill is not reversed.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the consideration transferred, after reassessment, is recognized immediately in the consolidated income statement.

In the case of associated companies and joint ventures, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated statement of financial position.

(p) Foreign currencies

(I) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The Consolidated Financial Statements are presented in the currency of the United States dollar, which is the Company's functional and presentation currency.

(II) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement (except for those which will be refunded or billed to customers through billings as approved by governments under service concession arrangements). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

(III) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each consolidated income statement and consolidated statement of comprehensive income presented are translated at average exchange rates; and

(iii) all resulting exchange differences are recognized in other comprehensive income. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognized in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the rates at the date of the transactions.

(IV) Statement of cash flows

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiary companies are translated into United States dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiary companies which arise throughout the year are translated into United States dollars at the average exchange rates of the year.

(q) Turnover and revenue recognition

Turnover represents the amounts received and receivable from the sale of goods and the rendering of services to third parties, falling within the ordinary activities of the Group's businesses. Turnover from sales is recognized when the risks and rewards of ownership of goods sold has been transferred to the buyer. Turnover from services is recognized when it can be measured reliably by reference to stages of completion for the rendering of the said services.

Construction revenue is recognized by reference to the stages of completion. Dividend income is recognized when the Group's right to receive payment has been established. Interest income is recognized as it accrues, taking into account the principal amount outstanding and the effective interest rate.

(r) Segmental information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's chief operating decision-maker who makes decisions about how resources are to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process.

(s) Leases

Leases, where substantially all of the risks and rewards of ownership of assets remain with the lessor, are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are recorded in the consolidated income statement on the straight-line basis over the lease terms.

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. Finance lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. A finance lease gives rise to a depreciation expense for the asset as well as a borrowing cost for each period. Finance charges are charged directly to current operations. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned by the Group.

(t) Employee benefits

(I) Pension obligations

The Group operates defined contribution and defined benefit retirement schemes.

Contributions to defined contribution schemes by the Group and employees are calculated as a percentage of the employees' basic salaries. The Group's contributions to defined contribution schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to the contributions vesting fully.

Contributions to defined benefit schemes are determined based on the fair value of the pension scheme assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations, and are determined on the basis of actuarial valuations using the projected unit credit method. The costs of defined benefit schemes are charged against profit or loss immediately. Actuarial gains and losses are recognized immediately in the other comprehensive income as and when they occur.

(II) Long service payments

Certain of the Group's employees are eligible for long service payments in the event of the termination of their employment. A provision is recognized in respect of the probable future long service payments expected to be made. The provision is the best estimate of the present value of probable future payment, calculated using the projected unit credit method, that have been earned by the employees from their service to the Group at the end of the reporting period.

(III) Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the share options at the date at which they are granted. Fair value is determined using an option pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting period end until the vesting date reflects the extent to which the vesting period has expired and the number of awards that will ultimately vest, based on the best available estimate.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, as a minimum, is recognized as if the terms had not been modified if the original terms of the award are met. An expense is recognized for any increase in the fair value of the transactions as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non – vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

(IV) Cash-settled transactions

For the cost of cash-settled transactions with employees, the Group recognizes the services received and the liability to pay for those services as the employees render services during the vesting period. The liability is measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights (SARs), by applying an option valuation model, taking into account the terms and conditions on which the SARs were granted, and the extent to which the eligible key executives and advisors have rendered service to date. Until settled, any changes in fair value at each reporting date will be recognized in the consolidated income statement.

(V) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilized by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(VI) Long-term employee benefits

Certain of the Group's employees are eligible for long-term employee benefits under a long-term incentive plan (LTIP). Liability under the LTIP is determined using the projected unit credit method. Employee benefit costs include current service costs, interest cost, actuarial gains and losses, and past service costs. Past service costs are recognized immediately in the consolidated income statement and actuarial gains and losses are recognized immediately in the other comprehensive income as and when they occur.

(u) Finance costs

Finance costs are interest and other costs incurred in connection with the borrowing of funds. Other costs include exchange differences on foreign currency borrowings. Exchange differences arising from foreign currency borrowings are included in finance costs to the extent that they are regarded as an adjustment to interest costs.

Finance costs are expensed in the consolidated income statement in the year in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

(v) Financial assets and financial liabilities

The Group recognizes a financial asset or a financial liability in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument and derecognizes a financial asset when the Group no longer controls the contractual rights to the cash flows that comprise the financial instrument which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument have already expired or are passed through to an independent third party. A financial liability (or a part of a financial liability) is derecognized when the obligation is extinguished. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using the trade date accounting, which means the accounting based on the date that the Group commits to purchase or sell the asset.

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, or as derivatives designed as hedging instruments in an effective hedge, as appropriate. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories.

A financial asset or financial liability can be designated as a financial asset or financial liability at fair value through profit or loss only upon its initial recognition. The Group may use this designation only in the case of a contract containing one or more embedded derivatives (as described below) or when doing so results in more relevant information, because either

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis; or

(ii) a group of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

For a contract containing one or more embedded derivatives, the Group may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss, unless:

(i) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or

(ii) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits that holder to prepay the loan for approximately its amortized cost.

Financial assets or financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss. Fair value is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

After initial recognition, the following financial assets and liabilities are measured at amortized cost using the effective interest method: (i) loans and receivables; (ii) held-to-maturity investments; and (iii) financial liabilities other than liabilities measured at fair value through profit or loss, whereas available-for-sale assets are measured at fair value with gains or losses being recognized in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Amortized cost for held-to-maturity investments is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

Investments in unquoted equity securities and derivatives linked thereon are measured at cost less any impairment.

Amortization of discounts and premiums is taken directly to the consolidated income statement. Changes in the fair value of financial assets and liabilities measured at fair value of (i) all derivatives (except for those eligible for hedge accounting); (ii) other items intended to be actively traded; and (iii) any item designated as “at fair value through profit or loss” at origination, are taken directly to the consolidated income statement. Changes in the fair value of available-for-sale financial assets are recognized as other comprehensive income in a separate reserve, except for the interest component which is taken directly to net profit or loss for the period based on the asset’s effective yield.

Financial assets and liabilities include financial instruments which may be a primary instrument, such as receivables, payables and equity securities, or a derivative instrument, such as financial options, futures and forwards, interest rate swaps and currency swaps.

A financial instrument is classified as a financial liability or a financial asset or an equity item in accordance with the substance of the contractual arrangement. Financial instruments that contain both liability and equity elements are classified separately as financial liabilities or equity instruments. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and the Group intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is derecognized when (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company’s continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated income statement.

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(I) *Assets carried at amortized cost*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the estimated loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance amount. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

(II) *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(III) *Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is removed from other comprehensive income and recognized in the consolidated income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement.

(w) Derivative instruments

The Group uses derivative financial instruments such as long-term currency swaps, foreign currency options, interest rate swaps and forward currency contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are stated at fair value.

The criteria for a derivative instrument to be classified as a hedge include (i) the hedge transaction is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk; (ii) the effectiveness of the hedge can be reliably measured; (iii) there is adequate documentation of the hedging relationships at the inception of the hedge; and (iv) for cash flow hedges, the forecast transaction, which is the subject of the hedge, must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

For the purpose of hedge accounting, hedges are classified as (i) fair value hedges where they hedge the exposure to changes in the fair value of a recognized asset or liability and firm commitment; (ii) cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction or foreign-currency risk in an unrecognized firm commitment; or (iii) hedges of a net investment in a foreign operation.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognized immediately in the consolidated income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the consolidated income statement.

In relation to cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly as other comprehensive income and the ineffective portion is recognized in the consolidated income statement. The gains or losses that are accumulated in other comprehensive income are transferred to the consolidated income statement in the same period in which the hedged item affects profit or loss.

In relation to hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized in other comprehensive income is transferred to the consolidated income statement.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the consolidated income statement.

(x) Dividends

Final dividends proposed by the Directors are recognized as a liability when they have been declared and approved by the shareholders in an annual general meeting.

Interim dividends (including special dividends, if any) are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

For distributions of non-cash assets as dividends to owners of the Company (except for the cases when the Group distributes some of its ownership interests in subsidiary companies but retains control of these subsidiary companies after the distributions), the Group measures the related liabilities at the fair value of the assets to be distributed. The carrying amount of the dividends payable is remeasured at each reporting date and at the settlement date, with any changes recognized directly in equity as adjustments to the amount of the distribution. On settlement of the transactions, the Group recognizes the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liabilities in the consolidated income statement.

(y) Related parties

A related party is a person or an entity that is related to the Group.

(I) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

(II) An entity is related to the Group if any of the following conditions applies:
   (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary company is related to the others);
   (ii) one entity is an associated company or a joint venture of the other entity (or an associated company or a joint venture of a member of a group of which the other entity is a member);
   (iii) the entity and the Group are joint ventures of the same third party;
   (iv) one entity is a joint venture of a third entity and the other entity is an associated company of the third entity;
   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
   (vi) the entity is controlled or jointly controlled by a person identified in (I); and
   (vii) a person identified in (I)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(A) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have significant effect on the amounts recognized in the Consolidated Financial Statements:

(a) Classification of financial assets and financial liabilities

The Group determines the classification of certain assets and liabilities as financial assets and financial liabilities by judging whether they meet the definition of financial assets and financial liabilities set out in HKAS 39. Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Group's accounting policies set out in Note 2(D)(v) to the Consolidated Financial Statements.

(b) Service concession arrangements

In applying HK(IFRIC)-Int 12 to the service concession arrangements of Maynilad Water Services, Inc. (Maynilad) and Manila North Tollways Corporation (MNTC), the Group has made judgments that these arrangements qualify for the application of the intangible asset model. Details of the Group's accounting policy in respect of intangible assets (other than goodwill) are set out in Note 2(D)(i) to the Consolidated Financial Statements.

(B) Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are described below.

(a) Estimating useful lives and residual values of property, plant and equipment

The Group estimates the useful lives and residual values of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of the property, plant and equipment are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the Group's estimation of the useful lives and residual values of its property, plant and equipment is based on its collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in those estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives and residual values of the Group's property, plant and equipment would increase its recorded depreciation expenses and decrease its non-current assets.

(b) Estimating useful lives of brands

The Group estimates the useful lives of the brands for its various milk-related products. The estimated useful lives of the brands are reviewed annually and are updated if expectations differ from previous estimates due to changes in market situations or other limits. It is possible, however, that future results of operations could be materially affected by changes in those estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Group's brands would increase its recorded amortization expenses and decrease its other intangible assets.

(c) Assets impairment

HKFRS requires that an impairment review should be performed when certain impairment indication is present. In case of goodwill, such assets are subject to yearly impairment test and whenever there is an indication that such assets may be impaired.

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets and contingent liabilities. The Group's business acquisitions have resulted in goodwill, which is subject to a periodic impairment test.

Determining the fair value of property, plant and equipment, plantations, and intangible assets (other than goodwill) at the date of acquisition of business, which requires the determination of future cash flows expected to be generated from the continued use (i.e., value in use) and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that an item of property, plant and equipment associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on its financial condition and results of operations.

The preparation of estimated future cash flows involves significant estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges.

(d) Deferred tax assets

The Group reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its recognized deferred tax assets to be utilized.

(e) **Financial assets and liabilities**

HKFRS requires that the Group carries certain of its financial assets and liabilities at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets and liabilities would affect directly the Group's consolidated profit or loss and equity.

(f) **Estimating allowances for accounts receivable**

The Group estimates the allowance for accounts receivable based on two methods. The amounts calculated using each of these methods are combined to determine the total amount it provides. Firstly, the Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Group estimates, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Group expects to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts estimated. Secondly, a provision is established as a certain percentage of receivables. This percentage is based on a collective assessment of historical collection, write-off, experience and changes in its customer payment terms.

The amounts and timing of recorded expenses for any period would differ if the Group utilized different estimates. An increase in the Group's allowance for accounts receivable would increase its recorded operating expenses and decrease its assets.

(g) **Estimating allowances for inventories**

The Group estimates the allowance for inventories based on the best available facts and circumstances, including but not limited to, the inventories' own conditions (i.e., whether they are damaged or become wholly or partially obsolete), their market selling prices, estimated costs of completion and estimated costs to be incurred for their sale. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated.

(h) **Pension and other retirement benefits**

The determination of the Group's obligation, fair value of plan assets and cost for defined benefits is performed by independent actuaries engaged by the Group and dependent on the selection of certain assumptions used by them in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets, rates of salary and pension increase and average remaining working life of employees. In accordance with the Group's accounting policy for pension obligations, actual results that differ from the Group's assumptions are recognized immediately in the other comprehensive income as and when they occur. While the Group believes that the actuaries' assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the Group's assumptions may materially affect its pension and other retirement obligations.

(i) **Measurement of fair value of plantations**

HKFRS 41 requires that the Group carries its plantations at fair value less costs to sell, which requires extensive use of accounting estimates. The determination of such fair value less costs to sell is performed by independent valuers engaged by the Group. Significant components of fair value measurement were determined using assumptions including the average life of plantations, yield per hectare, plantation area and discount rates. The amount of changes in fair value would differ if the Group utilized different assumptions. Any changes in fair value of these plantations would affect directly the Group's profit or loss, assets and equity.

(j) **Equity-settled share option expense**

HKFRS 2 requires that the Group measures its share options at fair value at the date at which they are granted, which requires extensive use of accounting estimates. The determination of such fair value is performed by an independent valuer engaged by the Group or management's estimates. Significant components of fair value measurement were determined using assumptions including expected volatility and dividend yield and the average risk-free interest rate. The amount of fair value determined at the date of which the options are granted would differ if the Group utilized different assumptions. Any changes in fair value of the share options determined at the date of which they are granted would affect directly the Group's profit or loss in subsequent periods when these fair values are recognized as expenses over the share options' vesting period.

4. Turnover and Segmental Information

US$ millions	**2012**	2011
Turnover		
Sale of goods	**5,247.8**	5,063.5
Rendering of services	**743.0**	620.6
Total	**5,990.8**	5,684.1

Segmental Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's chief operating decision maker who makes decisions about how resources are to be allocated to the segment and assesses its performance, and for which discrete financial information is available to him.

The Board of Directors considers the business from both product or service and geographical perspectives. From the product or service perspective, the Group's business interests are divided into four main segments, which are telecommunications, infrastructure, consumer food products and natural resources. Geographically, the Board of Directors considers the businesses of the Group are operating in the Philippines and Indonesia. Details of the Group's principal investments are provided on page F-94.

The Board of Directors assesses the performance of the operating segments based on a measure of recurring profit. This basis measures the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains/losses, gain/loss on changes in fair value of plantations and non-recurring items. Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items.

The revenue, results and other information for the years ended 31 December 2012 and 2011, and total assets and total liabilities at 31 December 2012 and 2011 regarding the Group's reportable businesses are as follows:

By Principal Business Activity and Geographical Market – 2012

	The Philippines			Indonesia		
For the year ended/at 31 December US$ millions	Telecom-munications	Infrastructure	Natural Resources	Consumer Food Products	Head Office	**2012 Total**
Revenue						
Turnover	–	660.8	–	5,330.0	–	**5,990.8**
Results						
Recurring profit	193.1	86.1	13.8	170.1	(102.8)	**360.3**
Assets and Liabilities						
Non-current assets (other than financial instruments and deferred tax assets)						
– Associated companies and joint ventures	1,553.3	1,065.8	642.7	30.6	–	**3,292.4**
– Others	–	2,472.4	–	3,999.7	–	**6,472.1**
	1,553.3	3,538.2	642.7	4,030.3	–	**9,764.5**
Other assets	–	615.6	–	2,875.6	624.3	**4,115.5**
Total assets	1,553.3	4,153.8	642.7	6,905.9	624.3	**13,880.0**
Borrowings	–	1,062.5	–	1,584.6	1,717.9	**4,365.0**
Other liabilities	–	862.4	–	1,298.8	109.8	**2,271.0**
Total liabilities	–	1,924.9	–	2,883.4	1,827.7	**6,636.0**
Other Information						
Depreciation and amortization	–	(92.7)	–	(144.9)	(1.6)	**(239.2)**
Impairment losses	–	(3.7)	–	–	–	**(3.7)**
Interest income	–	15.5	–	58.6	0.9	**75.0**
Finance costs	–	(93.6)	–	(99.4)	(80.7)	**(273.7)**
Share of profits less losses of associated companies and joint ventures	199.3	44.1	(3.9)	(3.8)	–	**235.7**
Taxation	–	(41.5)	–	(170.4)	(17.9)	**(229.8)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	–	330.1	–	601.0	3.7	**934.8**

By Principal Business Activity and Geographical Market – 2011

For the year ended/at 31 December US$ millions	The Philippines Telecom- munications	 Infrastructure	 Natural Resources	Indonesia Consumer Food Products	 Head Office	2011 (Restated) Total
Revenue						
Turnover	–	510.4	–	5,173.7	–	5,684.1
Results						
Recurring profit	215.0	68.2	50.1	178.5	(88.8)	423.0
Assets and Liabilities						
Non-current assets (other than financial instruments and deferred tax assets)						
– Associated companies and joint ventures	1,547.8	799.8	677.6	9.9	–	3,035.1
– Others	–	2,186.0	–	3,847.7	0.1	6,033.8
	1,547.8	2,985.8	677.6	3,857.6	0.1	9,068.9
Other assets	–	585.3	–	2,845.9	111.7	3,542.9
Total assets	1,547.8	3,571.1	677.6	6,703.5	111.8	12,611.8
Borrowings	–	912.9	–	1,509.3	1,272.8	3,695.0
Other liabilities	–	765.4	–	1,159.0	113.2	2,037.6
Total liabilities	–	1,678.3	–	2,668.3	1,386.0	5,732.6
Other Information						
Depreciation and amortization	–	(73.1)	–	(139.0)	(4.2)	(216.3)
Impairment losses	–	(4.6)	–	(2.0)	–	(6.6)
Interest income	–	16.0	–	51.4	1.5	68.9
Finance costs	–	(88.0)	–	(100.7)	(66.8)	(255.5)
Share of profits less losses of associated companies and joint ventures	187.5	33.1	56.9	(0.1)	0.9	278.3
Taxation	–	(11.3)	–	(186.0)	(18.5)	(215.8)
Additions to non-current assets (other than financial instruments and deferred tax assets)	338.8	384.0	–	342.5	0.9	1,066.2

A reconciliation between profit before taxation as shown in the consolidated income statement and recurring profit is as follows:

US$ millions	**2012**	2011 (Restated)
Profit before taxation	**1,060.0**	1,313.2
Exclusion of:		
– Foreign exchange and derivative losses, net (Note 8)	**0.9**	13.8
– Gain on changes in fair value of plantations (Note 6)	**(5.9)**	(48.5)
– Non-recurring items	**0.2**	(124.6)
Deduction of attributable taxation and non-controlling interests	**(694.9)**	(730.9)
Recurring Profit	**360.3**	423.0

5. Finance Costs

US$ millions	2012	2011
Finance costs on bank loans and other loans		
– Wholly repayable within five years	**174.4**	162.9
– Not wholly repayable within five years	**107.5**	111.1
Less: Finance costs capitalized in		
– Plantations	**(5.7)**	(6.7)
– Property, plant and equipment	**(2.5)**	(11.8)
Total	**273.7**	255.5

The capitalization rate of finance costs for 2012 was 7.6% (2011: 15.6%).

6. Profit Before Taxation

US$ millions	Notes	2012	2011
Profit Before Taxation is Stated after (Charging)/Crediting			
Cost of inventories sold		**(2,853.3)**	(2,803.2)
Employees' remuneration	33(A)	**(566.5)**	(511.3)
Cost of services rendered		**(247.8)**	(207.0)
Depreciation	11	**(143.9)**	(127.4)
Amortization of other intangible assets[(i)]	16	**(93.7)**	(84.1)
Operating lease rentals			
– Hire of plant and equipment		**(16.9)**	(10.1)
– Land and buildings		**(16.8)**	(12.0)
Foreign exchange and derivative losses, net	8	**(8.9)**	(12.6)
Auditors' remuneration			
– Audit services		**(3.7)**	(4.9)
– Non-audit services[(ii)]		**(0.3)**	(0.2)
Impairment losses			
– Accounts receivable[(iii)]	17(C)	**(3.7)**	(4.1)
– Associated companies and joint ventures		**–**	(2.0)
– Property, plant and equipment	11	**–**	(0.5)
(Loss)/gain on sale of property, plant and equipment		**(0.2)**	5.4
Gain on dilution of interests in associated companies		**14.4**	209.9
Preferred share dividend income from a joint venture		**13.3**	6.5
Gain on changes in fair value of plantations	12	**5.9**	48.5

(i) US$73.0 million (2011: US$61.9 million) included in cost of sales and US$20.7 million (2011: US$22.2 million) included in other operating income, net
(ii) Pertains to due diligence, review of continuing connected transactions and other transactions relating to the Group's business development
(iii) Included in distribution expenses

7. Taxation

No Hong Kong profits tax (2011: Nil) has been provided as the Group had no estimated assessable profits (2011: Nil) deriving in Hong Kong for the year. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

US$ millions	**2012**	2011 (Restated)
Subsidiary Companies – Overseas		
Current taxation (Note 26)	**225.6**	216.1
Deferred taxation (Note 19)	**4.2**	(0.3)
Total	**229.8**	215.8

Included within the share of profits less losses of associated companies and joint ventures is taxation of US$92.6 million (2011: US$121.7 million (Restated)) which is analyzed as follows:

US$ millions	**2012**	2011 (Restated)
Associated Companies and Joint Ventures – Overseas		
Current taxation	**96.8**	135.2
Deferred taxation	**(4.2)**	(13.5)
Total	**92.6**	121.7

A reconciliation between profit before taxation multiplied by the applicable tax rates and the taxation amount as shown in the consolidated income statement is as follows:

US$ millions	**2012**	**%**	2011 (Restated)	%
Profit Before Taxation	**1,060.0**		1,313.2	
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**298.3**	**28.1**	380.1	28.9
Tax effect of:				
– Non-deductible expenses	**18.2**	**1.7**	16.9	1.3
– Income not subject to tax	**(32.1)**	**(3.0)**	(95.0)	(7.2)
– Share of profits less losses of associated companies and joint ventures	**(46.2)**	**(4.3)**	(60.8)	(4.6)
– Others	**(8.4)**	**(0.8)**	(25.4)	(2.0)
Taxation	**229.8**	**21.7**	215.8	16.4

8. Profit Attributable to Owners of the Parent

The profit attributable to owners of the parent includes US$1.8 million of net foreign exchange and derivative gains (2011: US$7.1 million of losses), which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and payables and the changes in the fair values of derivatives, US$0.1 million of loss (2011: US$5.2 million of gain) on changes in fair value of plantations and US$13.2 million of net non-recurring losses (2011: US$152.9 million of net non-recurring gains (Restated)).

Analysis of Foreign Exchange and Derivative Gains/(Losses), Net

US$ millions	**2012**	2011
Foreign exchange and derivative (losses)/gains		
– Subsidiary companies (Note 6)	**(8.9)**	(12.6)
– Associated companies and joint ventures	**8.0**	(1.2)
Subtotal (Note 4)	**(0.9)**	(13.8)
Attributable to taxation and non-controlling interests	**2.7**	6.7
Total	**1.8**	(7.1)

The non-recurring losses for 2012 mainly represent PLDT's impairment provisions for Digital Telecommunications Philippines, Inc. (Digitel)'s cell sites (US$17.6 million) and Philex's provisions for fees and penalties in respect of an accidental discharge of water and tailings from its tailings pond No. 3 (US$9.9 million), partly offset by the Group's gain on dilution of a 0.2% interest in PLDT as a result of PLDT's issuance of new shares upon its tender offer for Digitel's shares in January 2012 (US$14.5 million). The non-recurring gains for 2011 mainly represent the Group's gain on dilution of 3.4% interest in PLDT as a result of PLDT's issuance of new shares to acquire Digitel in October 2011 (US$210.0 million), partly offset by PLDT's impairment provisions mainly as a result of Smart's network modernization (US$42.2 million).

Included in the profit attributable to owners of the parent for the year ended 31 December 2012 is a profit of US$189.3 million (2011: US$19.3 million) attributable to the Company.

9. Earnings Per Share Attributable to Owners of the Parent

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the parent of US$348.8 million (2011: US$574.0 million (Restated)) and the weighted average number of ordinary shares of 3,836.4 million (2011: 3,874.6 million) in issue during the year.

The calculation of diluted earnings per share is based on: (a) the profit for the year attributable to owners of the parent of US$348.8 million (2011: US$574.0 million (Restated)) reduced by the dilutive impacts of US$0.1 million in respect of the exercise of share options issued by its subsidiary and associated companies (2011: US$0.3 million in respect of the exercise of share options issued by its subsidiary and associated companies and US$1.5 million in respect of the conversion of convertible bonds issued by a subsidiary company) and (b) a share base equal to the aggregate of the weighted average number of ordinary shares of 3,836.4 million (2011: 3,874.6 million) in issue during the year (as used in the basic earnings per share calculation) and the weighted average number of ordinary shares of 44.3 million (2011: 43.5 million) assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the year.

10. Ordinary Share Dividends

	U.S. cents per ordinary share		US$ millions	
	2012	2011	**2012**	2011
Interim	**1.03**	1.03	**39.6**	39.6
Special	**–**	0.15	**–**	6.0
Proposed final	**1.67**	1.67	**63.8**	64.2
Total	**2.70**	2.85	**103.4**	109.8

In connection with the global offering of shares carried out by PT Salim Ivomas Pratama Tbk (SIMP), a subsidiary company of Indofood, in June 2011, the Company was required, under Practice Note 15 (PN15) of the Listing Rules, to subscribe and distribute a certain number of new SIMP shares to its shareholders. For the purpose of meeting the requirement of PN15, the Company declared a special dividend, payable to shareholders by way of a distribution in specie, with an option to receive cash in lieu of the distributable SIMP shares. The distribution in specie was equivalent to U.S. 0.15 cent (HK1.20 cents) per ordinary share of the Company or a total amount of US$6.0 million. The special dividend was distributed to the shareholders on 8 August 2011.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming AGM.

11. Property, Plant and Equipment

	Consolidated		
US$ millions	Land and buildings	Machinery, equipment and vessels	**Total**
Cost			
At 1 January 2012	721.7	1,797.4	**2,519.1**
Exchange translation	(40.8)	(105.1)	**(145.9)**
Additions	358.8	60.8	**419.6**
Disposals	(3.1)	(19.5)	**(22.6)**
Other movements	–	(0.3)	**(0.3)**
At 31 December 2012	1,036.6	1,733.3	**2,769.9**
Accumulated Depreciation and Impairment			
At 1 January 2012	177.0	690.4	**867.4**
Exchange translation	(12.1)	(36.8)	**(48.9)**
Depreciation for the year (Note 6)	32.4	111.5	**143.9**
Disposals	(1.4)	(15.4)	**(16.8)**
At 31 December 2012	195.9	749.7	**945.6**
Net Book Amount at 31 December 2012	840.7	983.6	**1,824.3**

US$ millions	Land and buildings	Consolidated Machinery, equipment and vessels	Total
Cost			
At 1 January 2011	661.5	1,556.1	2,217.6
Exchange translation	(5.4)	(20.8)	(26.2)
Additions	2.3	265.2	267.5
Acquisition of subsidiary companies (Note 31(D))	97.1	16.7	113.8
Disposals	(33.8)	(22.0)	(55.8)
Other movements	–	2.2	2.2
At 31 December 2011	721.7	1,797.4	2,519.1
Accumulated Depreciation and Impairment			
At 1 January 2011	188.2	610.1	798.3
Exchange translation	(3.7)	(4.7)	(8.4)
Depreciation for the year (Note 6)	26.3	101.1	127.4
Impairment (Note 6)	–	0.5	0.5
Disposals	(33.8)	(16.6)	(50.4)
At 31 December 2011	177.0	690.4	867.4
Net Book Amount at 31 December 2011	544.7	1,107.0	1,651.7

(A) The principal annual rates of depreciation:

Freehold land	Nil
Leasehold land under finance leases	Over the lease terms
Buildings	2.5% to 20.0%
Machinery, equipment and vessels	4.0% to 50.0%

(B) The land and buildings are freehold and leasehold properties held outside Hong Kong.

(C) The Group's lands included in property, plant and equipment are situated in Indonesia and the Philippines. The lands which are held under medium term leases with lease terms of between 10 and 50 years had a net book amount of US$200.3 million (2011: US$213.1 million) and the lands which are freehold had a net book amount of US$26.4 million (2011: US$22.8 million).

(D) Property, plant and equipment with a net book amount of US$110.7 million (2011: US$82.3 million) were pledged as security for certain of the Group's banking facilities (Note 25(D)).

12. Plantations

US$ millions	Consolidated 2012	2011
At 1 January	**1,280.9**	1,162.6
Exchange translation	**(82.7)**	(14.4)
Additions	**117.2**	102.1
Realization of deferred costs	**(19.0)**	(19.5)
Disposal	**(0.2)**	(0.2)
Gain on changes in fair value of plantations, net (Note 6)	**5.9**	48.5
Reclassification[(i)]	**(0.6)**	1.8
At 31 December	**1,301.5**	1,280.9

(i) (To)/from property, plant and equipment and other non-current assets

Physical measurement of oil palm, rubber, sugar cane and other plantations at 31 December 2012 is as follows:

Hectares	Consolidated 2012	2011
Oil palm		
– Mature plantations	**176,105**	158,163
– Immature plantations	**54,814**	58,674
Rubber		
– Mature plantations	**17,507**	17,745
– Immature plantations	**4,295**	4,440
Sugar cane		
– Mature plantations	**12,255**	11,302
– Immature plantations	**78**	953
Cocoa, tea and others		
– Mature plantations	**3,228**	3,364
– Immature plantations	**443**	348
Total	**268,725**	254,989

(A) The Group's plantations primarily comprise oil palm, rubber and sugar cane plantations owned by Indofood. The fair values of plantations are determined by an independent valuer using the discounted future cash flows of the underlying plantations.

(B) Oil palm plantations – Mature oil palm trees produce FFB, which are used to produce CPO and PKO. The expected future cash flows of the oil palm plantations are determined using the forecast market price of FFB, which is largely dependent on the projected selling prices of CPO and PKO in the market.

Significant assumptions made in determining the fair values of the oil palm plantations are as follows:

(a) oil palm trees have an estimated average productive life that ranges from 20 to 25 years of which the first three to four years as immature and the remaining years as mature;

(b) yield per hectare of oil palm trees is determined by reference to guidelines issued by the Indonesian Oil Palm Research Institute in Indonesia, which varies with the average age of oil palm trees, as well as internal standards and results of internal assessments of other relevant factors;

(c) the discount rate used in 2012 was 12.4% (2011: 14.2%). Such a discount rate represents the asset specific rate for the Group's oil palm plantation operations which is applied in the discounted future cash flows calculation;

(d) the projected selling prices of CPO are based on the consensus of the World Bank and reputable independent forecasting service firms for the short-term period and the World Bank forecasts for the remainder of the projection period; and

(e) no new planting/re-planting activities are assumed.

During 2012, the Group's oil palm plantations produced approximately 3.0 million tonnes (2011: 2.8 million tonnes) of FFB. The selling prices per tonne of those FFB ranged between Rupiah 1.1 million (US$117) and Rupiah 1.7 million (US$181) (2011: Rupiah 1.3 million (US$148) and Rupiah 1.9 million (US$217)).

(C) Rubber plantations – Mature rubber trees produce cup lumps. The expected future cash flows of the rubber plantations are determined using the forecast market prices of cup lumps which are based on the projected selling price of RSS1 and other rubber products of the Group.

Significant assumptions made in determining the fair values of the rubber plantations are as follows:

(a) rubber trees have an estimated average productive life that ranges from 20 to 25 years of which the first five to six years as immature and the remaining years as mature;

(b) the discount rate used in 2012 was 12.1% (2011: 14.6%). Such a discount rate represents the asset specific rate for the Group's rubber plantation operations which is applied in the discounted future cash flows calculation;

(c) the projected selling prices of RSS1 and other rubber products of the Group over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank; and

(d) no new planting/re-planting activities are assumed.

During 2012, the Group's rubber plantations produced about 18 thousand tonnes (2011: 19 thousand tonnes) of cup lumps. The selling prices per tonne of those cup lump ranged between Rupiah 13.8 million (US$1,469) and Rupiah 18.5 million (US$1,970) (2011: Rupiah 19.8 million (US$2,260) and Rupiah 24.5 million (US$2,796)).

(D) Sugar cane plantations – The expected future cash flows of the sugar cane plantations are determined using the forecast market price of sugar canes which are based on the projected selling price of sugar.

Significant assumptions made in determining the fair values of the sugar cane plantations are as follows:

(a) cane trees are available for annual harvest for an average of four years;

(b) the discount rate used in 2012 was 9.2% (2011: 9.7%). Such discount rate represents the asset specific rate for the Group's sugar cane plantation operations which is applied in the discounted future cash flows calculation;

(c) the projected selling prices of sugar over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher; and

(d) no new planting/re-planting activities are assumed.

During 2012, the Group's sugar cane plantations produced about 588 thousand tonnes (2011: 420 thousand tonnes) of sugar canes. The selling prices per tonne of sugar canes for 2011 ranged between Rupiah 0.22 million (US$25) and Rupiah 0.33 million (US$38). The Group has ceased to sell sugar cane during 2012. Accordingly, all sugar cane produce were processed and sold as sugar.

(E) Sensitivity analysis – Changes in the assumed selling prices of CPO and rubber would have the following effects on the fair value of plantations:

US$ millions	**2012** Increase/ (decrease) (%)	**2012** Effects on fair value of plantations	2011 Increase/ (decrease) (%)	2011 Effects on fair value of plantations
Assumed selling prices	**10**	**335.4**	10	220.9
	(10)	**(371.8)**	(10)	(317.6)

(F) Plantations with a net book amount of US$72.7 million (2011: US$58.9 million) were pledged as security for certain of the Group's banking facilities (Note 25(D)).

13. Subsidiary Companies

US$ millions	Company **2012**	Company 2011
Unlisted shares at cost	**1,137.5**	1,137.5
Less provision for impairment loss	**(109.1)**	(109.1)
Total	**1,028.4**	1,028.4

The Company's listed subsidiary companies are held through intermediate holding companies.

(A) The amounts due from subsidiary companies are unsecured, bear interest at rates ranging from 0% to 3.3% per annum (2011: 0% to 3.3% per annum) and are repayable within one year. The carrying values of the Company's amounts due from subsidiary companies approximate to their fair values.

(B) The amounts due to subsidiary companies are unsecured, bear interest at rates ranging from 0% to 1.9% per annum (2011: 0% to 1.6% per annum) and are repayable within one year. The carrying values of the Company's amounts due to subsidiary companies approximate to their fair values.

(C) The loans from subsidiary companies are unsecured, bear interest at rates ranging from 2.0% to 7.4% per annum (2011: 2.3% to 7.4% per annum) and are not repayable within one year. The carrying values of the Company's loans from subsidiary companies approximate to their fair values.

(D) Details of the principal subsidiary companies of the Company which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on page F-94.

14. Associated Companies and Joint Ventures

US$ millions	Associated companies 2012	Associated companies 2011	Joint ventures 2012	Joint ventures 2011	**Consolidated** 2012	**Consolidated** 2011
Shares, at cost						
– Listed	**2,789.7**	2,786.1	**–**	–	**2,789.7**	2,786.1
– Unlisted	**109.4**	84.1	**570.8**	506.6	**680.2**	590.7
Share of post-acquisition reserves (Note 29)	**(596.2)**	(567.5)	**115.9**	28.8	**(480.3)**	(538.7)
Preferred shares, at cost	**–**	–	**281.9**	182.7	**281.9**	182.7
Amounts due from/(to) associated companies and joint ventures	**2.5**	(3.0)	**18.4**	17.3	**20.9**	14.3
Total	**2,305.4**	2,299.7	**987.0**	735.4	**3,292.4**	3,035.1

(A) At 31 December 2012, both the listed and unlisted investments were located outside Hong Kong.

(B) At 31 December 2012, the market valuation of listed investments in associated companies was US$4,452.9 million (2011: US$4,340.2 million) based on quoted market prices. The net dividends received from associated companies during 2012 amounted to US$245.4 million (2011: US$259.5 million).

(C) Details of the Group's principal associated companies, PLDT and Philex, which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on page F-94.

(D) PLDT was incorporated under the laws of the Philippines on 28 November 1928 to provide telephone services in the Philippines. PLDT's charter was initially limited to a period of 50 years but has since been extended twice for 25 years each, the last extension being for an additional 25-year period ending in 2028. Under its amended charter, which became effective on 24 August 1991, PLDT is authorized to provide virtually every type of telecommunication service, both within the Philippines and between the Philippines and other countries. PLDT operates under the jurisdiction of the Philippine National Telecommunications Commission which jurisdiction extends, among other things, to approving major services offered by PLDT and certain rates charged by PLDT.

In October 2012, PLDT issued 150 million shares of Voting Preferred Stock with a par value of Peso 1.00 each to BTF Holdings, Inc (BTF), a company wholly-owned by the Board of Trustees for the Account of PLDT's Beneficial Trust Fund, which reduced the voting interest of the Group and its Philippine affiliates in PLDT from approximately 25.6% to approximately 15.1%. Nevertheless, the economic interests of the Group and its Philippine affiliates in PLDT remained at approximately 25.6%. Notwithstanding that the Group and its Philippine affiliates have less than 20% voting interest in PLDT, the Group and its Philippine affiliates have sufficient representatives in PLDT's current 12-member board of directors to exercise significant influence over the financial and operating policy decisions of PLDT. Therefore, the Group continued to account for PLDT as an associated company after the said transaction.

(E) Philex was incorporated under the laws of the Philippines in 1995 to engage in mining activities. Philex is primarily engaged in large-scale exploration, development and utilization of mineral resources. Philex has operated for the past 54 years at the deposit at Padcal (Tuba Benguet Province, Island of Luzons) and owns the deposits at Boyongan and Bayugo (Surogao del Norte, the Northern of Mindanao) (the Silangan Project), which is currently under the exploration stage, for producing gold, copper and silver as its principal products. In addition, Philex shall increase its interest in Kalayaan Copper Resources, Inc. from 5% to 60%, by solely funding all pre-development expenses of the deposit at Placer, Surigao del Norte (the Kalayaan Project).

(F) Meralco was incorporated under the laws of the Philippines in 1903 and granted a franchise to provide electric power distribution services in the Philippines. In June 2003, Meralco was granted a new 25-year franchise to construct, operate, and maintain an electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities, and barangays in Batangas, Laguna, Pampanga, and Quezon. Meralco is subject to the rate-making regulations and regulatory policies of the Philippine Energy Regulatory Commission.

During May and July 2011, Beacon Electric acquired in aggregate an approximately 4.5% additional interest in Meralco. On 19 October 2011, Beacon Electric acquired from PCEV an approximately 6.1% additional interest in Meralco, satisfied by 1.199 billion preferred shares issued by Beacon Electric for a total consideration of Pesos 15.1 billion (US$344.4 million), with a coupon rate of 7.0% per annum. During 2012, Beacon Electric acquired in aggregate an approximately 2.9% additional interest in Meralco. Following these transactions, Beacon Electric's interest in Meralco increased to 48.3%.

(G) Additional financial information in respect of the Group's major associated companies, PLDT and Philex, and a major associated company of a Group's joint venture, Meralco, as prepared under HKFRSs, is set out below.

For the year ended/At 31 December US$ millions	PLDT 2012	PLDT 2011 (Restated)[i]	Philex 2012	Philex 2011 (Restated)[i]	Meralco 2012	Meralco 2011 (Restated)[i]
Operating Results						
Turnover	**3,806.8**	3,372.7	**218.1**	376.2	**6,779.2**	5,939.1
Profit/(loss) before taxation	**1,009.5**	964.6	**(1.8)**	178.1	**501.0**	388.4
Profit/(loss) after taxation	**819.1**	712.1	**(12.6)**	121.9	**381.6**	312.7
Profit/(loss) for the Year	**820.4**	730.9	**(0.3)**	120.5	**378.2**	288.4
Net Assets						
Current assets	**2,048.3**	1,680.9	**106.1**	189.2	**2,247.1**	1,728.5
Non-current assets	**8,121.9**	7,626.4	**756.6**	710.7	**3,980.9**	3,548.5
Total Assets	**10,170.2**	9,307.3	**862.7**	899.9	**6,228.0**	5,277.0
Current liabilities	**(3,010.6)**	(2,768.0)	**(119.2)**	(61.7)	**(1,446.0)**	(1,173.0)
Non-current liabilities and provisions	**(3,525.0)**	(2,997.3)	**(137.3)**	(139.5)	**(2,496.3)**	(2,179.4)
Total Liabilities	**(6,535.6)**	(5,765.3)	**(256.5)**	(201.2)	**(3,942.3)**	(3,352.4)
Net Assets	**3,634.6**	3,542.0	**606.2**	698.7	**2,285.7**	1,924.6

(i) Refer to Note 2(B). In addition, PLDT's 2011 comparative figures for operating results and net assets have been restated to reflect the presentation of business process outsourcing business as discontinued operations and adjustments to the provision amounts used in the purchase price allocation in relation to the acquisition of Digitel, respectively.

(H) The Group has discontinued the recognition of its share of losses of Prime Media Holdings, Inc., (PMHI) an associated company of MPIC, because the share of losses of this associated company already fully eroded the Group's investment. The amounts of the Group's unrecognized share of profit of this associated company for the current year was US$0.4 million (2011: loss of US$0.1 million) and the cumulative unrecognized share of losses was US$8.6 million (2011: US$9.0 million).

15. Goodwill

US$ millions	Consolidated 2012	Consolidated 2011
At 1 January	**819.6**	817.1
Exchange translation	**(13.5)**	(4.8)
Acquisition of subsidiary companies (Note 31(D))	**2.6**	10.2
Other movements	**(0.5)**	(2.9)
Net Book Amount at 31 December	**808.2**	819.6
Attributable to the Businesses of:		
Indofood – Plantations	**332.7**	354.8
– Dairy	**165.7**	176.7
MPIC – Water distribution	**127.5**	114.4
– Toll roads	**140.0**	131.1
Others	**42.3**	42.6
Total	**808.2**	819.6

(A) Goodwill is allocated to the Group's cash-generating units identified according to the reportable segments. The goodwill amounts at 31 December 2012 and 31 December 2011 mainly relate to (a) Indofood's businesses (principally plantations and dairy) which contribute to the Group's consumer food products business segment located in Indonesia and (b) MPIC's businesses (water distribution and toll roads) which contribute to the Group's infrastructure business segment located in the Philippines.

(B) In assessing the impairment for goodwill, the Group compares the carrying amount of the underlying assets against their recoverable amounts (the higher of the assets' fair value less costs to sell and their value in use). The recoverable amounts of Indofood's and MPIC's businesses have been determined based on fair value less costs to sell or value in use calculations using cash flow projections covering periods from 5 years (for the dairy companies) up to 10 years (for the plantation companies) (2011: 5 years (for the dairy companies) to 10 years (for the plantation companies)) for Indofood's businesses, and 25 years (2011: 26 years) for MPIC's water distribution and toll road business. The discount rates applied to cash flow projections range from 6.7% to 12.3% (2011: 6.7% to 11.8%) for Indofood's businesses, 10.2% (2011: 10.7%) for MPIC's water distribution business and 8.1% (2011: 9.2%) for MPIC's toll road business, which reflect the weighted average cost of capital of the relevant businesses.

In the assessment of the recoverable amount of Indofood's plantation businesses, the projected prices of CPO are based on the consensus of the World Bank and reputable independent forecasting service firms for the short-term period and the World Bank forecasts for the remainder of the projection period, while the projected selling prices of RSS1 and other rubber products of the Group over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank; and, the sugar prices used in the projection are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher. The cash flows beyond the projection periods are extrapolated using an estimated growth rate of 6.5% (2011: 6.5%), which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

In the assessment of the recoverable amount of Indofood's dairy businesses, their values in use were calculated based on their cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period. The cash flows beyond the projection periods are extrapolated using an estimated growth rate of 4.0% (2011: 4.0%), which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

In the assessment of the recoverable amount of MPIC's water distribution and toll roads businesses, their value in use were calculated based on their cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period.

Changes to the above assumptions used by management to determine the recoverable amounts can have a significant impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amounts of the goodwill for each of the cash-generating units to materially exceed the recoverable amounts.

(C) In November 2011 and December 2011, MPIC acquired a 100% interest in Colinas Verdes Hospital Managers Corporation (CVHMC) and a 51.9% interest in Asian Hospital Inc. (AHI). In 2011, the Group recorded the assets, liabilities and contingent liabilities of CVHMC and AHI at initially assessed fair value and recognized provisional goodwill totalling US$10.2 million for these acquisitions, representing the difference between MPIC's acquisition costs and the initially assessed fair value of the assets, liabilities and contingent liabilities of CVHMC and AHI acquired. In 2012, MPIC completed a tender offer of AHI's share which increased MPIC's interest in AHI to 85.6% and finalized its assessment of the fair value of the assets, liabilities and contingent liabilities of CVHMC and AHI acquired and concluded that the final amount of goodwill for these acquisitions was US$9.7 million compared with the provisional goodwill amount totalling US$10.2 million initially recognized in 2011 and, hence, made an adjustment to reduce the goodwill amount by US$0.5 million.

16. Other Intangible Assets

US$ millions	Consolidated Concession assets – Water distribution	Concession assets – Toll roads	Brands	**Total**
Cost				
At 1 January 2012	1,536.3	429.3	417.8	**2,383.4**
Exchange translation	108.9	29.3	(26.0)	**112.2**
Additions	180.8	5.3	–	**186.1**
Acquisition of subsidiary companies (Note 31(D))	7.0	–	–	**7.0**
At 31 December 2012	1,833.0	463.9	391.8	**2,688.7**
Accumulated Amortization				
At 1 January 2012	169.6	43.6	64.3	**277.5**
Exchange translation	13.0	3.3	(4.6)	**11.7**
Charge for the year (Note 6)	57.6	15.4	20.7	**93.7**
At 31 December 2012	240.2	62.3	80.4	**382.9**
Net Book Amount at 31 December 2012	1,592.8	401.6	311.4	**2,305.8**

US$ millions	Consolidated Concession assets – Water distribution	Concession assets – Toll roads	Brands	Total
Cost				
At 1 January 2011	1,312.1	421.9	421.4	2,155.4
Exchange translation	(3.1)	(0.1)	(3.6)	(6.8)
Additions	227.3	7.5	–	234.8
At 31 December 2011	1,536.3	429.3	417.8	2,383.4
Accumulated Amortization				
At 1 January 2011	123.2	28.9	43.2	195.3
Exchange translation	(0.6)	(0.2)	(1.1)	(1.9)
Charge for the year (Note 6)	47.0	14.9	22.2	84.1
At 31 December 2011	169.6	43.6	64.3	277.5
Net Book Amount at 31 December 2011	1,366.7	385.7	353.5	2,105.9

(A) Concession assets – Water distribution represents the exclusive right granted by Metropolitan Waterworks and Sewerage System (MWSS) on behalf of the Philippine government for Maynilad to provide water distribution and sewerage services and charge users for these services provided in the areas of West Metro Manila during its concession period.

In February 1997, Maynilad entered into a concession agreement with MWSS, with respect to the MWSS West Service Area. Under the concession agreement, MWSS grants Maynilad, the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required to provide water and sewerage services in the West Service Area for 25 years ending in 2022. In September 2009, MWSS approved an extension of its concession agreement with Maynilad for another 15

years to 2037. The legal title to all property, plant and equipment contributed to the existing MWSS system by Maynilad during the concession period remains with Maynilad until the expiration date at which time, all rights, titles and interests in such assets will automatically vest to MWSS. Under the concession agreement, Maynilad is entitled to (a) an annual standard rate adjustment to compensate for increases in the consumer price index subject to a rate adjustment limit; (b) an extraordinary price adjustment to account for the financial consequences of the occurrence of certain unforeseen events subject to grounds stipulated in the concession agreement; and (c) a rate rebasing mechanism which allows rates to be adjusted every five years to enable Maynilad to efficiently and prudently recover expenditures incurred, Philippine business taxes and payments corresponding to debt service on concession fees and Maynilad loans incurred to finance such expenditure.

In August 2012, Maynilad acquired a 100% interest in Philippine Hydro (PH), Inc. (PHI), which engages in water distribution business in central and southern Luzon. PHI is granted the sole right to distribute water in this area under certain concession agreements granted by the Philippine government for 25 years to 2035.

(B) Concession assets – Toll roads represent the concession comprising the rights, interests and privileges to finance, design, construct, operate and maintain toll roads, toll facilities and other facilities generating toll-related and non-toll related income held by Manila North Tollways Corporation (MNTC) in respect of the Manila North Expressway (also known as North Luzon Expressway) (NLEX) during its concession period.

In August 1995, First Philippine Infrastructure Development Corporation (FPIDC), the parent company of MNTC, entered into a joint venture agreement with Philippine National Construction Corporation (PNCC), in which PNCC assigned its rights, interests and privileges under its franchise to construct, operate and maintain toll facilities in the NLEX and its extensions, stretches, linkages and diversions in favour of MNTC, including the design, funding, construction, rehabilitation, refurbishing and modernization and selection and installation of an appropriate toll collection system therein during the concession period subject to prior approval by the President of the Philippines. In April 1998, the Philippine government, acting by and through the Toll Regulatory Board as the grantor, PNCC as the franchisee and MNTC as the concessionaire executed a Supplemental Toll Operation Agreement (STOA) whereby the Philippine government recognized and accepted the assignment by PNCC of its usufructuary rights, interests and privileges under its franchise in favor of MNTC as approved by the President of the Philippines and granted MNTC concession rights, obligations and privileges including the authority to finance, design, construct, operate and maintain the NLEX project roads as toll roads commencing upon the date the STOA comes into effect until 31 December 2030 or 30 years after the issuance of the Toll Operation Permit for the last completed phase, whichever is earlier. In October 2008, the concession agreement was extended for another seven years to 2037. Pursuant to the STOA, MNTC is required to pay franchise fees to PNCC and to pay for the government's project overhead expenses based on certain percentages of construction costs and maintenance works on the project roads. Upon expiry of the concession period, MNTC shall handover the project roads to the Philippine government without cost, free from any and all liens and encumbrances and fully operational and in good working condition, including any and all existing land required, works, toll road facilities and equipment found therein directly related to and in connection with the operation of the toll road facilities.

(C) Brands represent the brands held by PT Indolakto (Indolakto) for its various milk-related products, which include Indomilk, Cap Enaak, Tiga Sapi, Indoeskrim, Nice and Orchid.

(D) All of the Group's concession assets and brands were acquired by the Group as part of the business combinations.

(E) The useful lives for amortization:

Concession assets – Water distribution	– Maynilad	Remaining concession life of 30 years since acquisition in 2007
	– PHI	Remaining concession life of 23 years since acquisition in 2012
Concession assets – Toll roads		Remaining concession life of 29 years since acquisition in 2008
Brands		20 years

(F) Other intangible assets with a net book amount of US$837.5 million (2011: US$650.3 million) were pledged as security for certain of the Group's banking facilities (Note 25(D)).

17. Accounts Receivable, Other Receivables and Prepayments

US$ millions	Consolidated 2012	2011
Accounts receivable	**369.9**	371.1
Other receivables	**384.8**	221.4
Prepayments	**35.9**	21.8
Total	**790.6**	614.3
Presented as:		
Non-current Portion	**190.6**	32.5
Current Portion	**600.0**	581.8
Total	**790.6**	614.3

(A) The carrying amount of the current portion of accounts receivable, other receivables and prepayments approximates to their fair value. The fair value of the non-current portion of accounts receivable and other receivables is US$195.8 million (2011: US$37.3 million) which is determined based on cash flows discounted using a weighted average prevailing interest rate of 8.1% (2011: 6.7%). The weighted average effective interest rate of the non-current portion of accounts receivable and other receivables is 10.9% (2011: 7.9%). The non-current portion of accounts receivable, other receivables and prepayments include MPTC's Pesos 6.8 billion (US$165.0 million) investment in Cavitex Holdings Inc. (CHI)'s convertible note. Details of this investment are set out in Note 38 (A) to the Consolidated Financial Statements.

(B) An ageing profile based on invoice dates of accounts receivable is analyzed below:

US$ millions	Consolidated 2012	2011
0 to 30 days	**336.9**	335.1
31 to 60 days	**9.1**	11.7
61 to 90 days	**8.7**	8.3
Over 90 days	**15.2**	16.0
Total	**369.9**	371.1

US$ millions	Consolidated 2012	2011
Neither past due nor impaired	**336.9**	335.1
Past due but not impaired		
– 0 to 30 days past due	**9.1**	11.7
– 31 to 60 days past due	**8.7**	8.3
– 61 to 90 days past due	**10.9**	8.8
– Over 90 days past due	**4.3**	7.2
Total	**369.9**	371.1

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable or covered by general provision.

(C) At 31 December 2012, accounts receivable of US$14.5 million (2011: US$15.2 million) were collectively impaired and fully provided for. Movements in the provision for impairment of accounts receivable were as follows:

	Consolidated	
US$ millions	**2012**	2011
At 1 January	**15.2**	12.9
Exchange translation	**(1.1)**	(0.1)
Amount written off as uncollectible	**(3.3)**	(1.7)
Charge for the year (Note 6)	**3.7**	4.1
At 31 December	**14.5**	15.2

(D) As the Group's accounts receivable relate to a large number of diversified customers, there is no concentration of credit risk.

(E) Indofood generally allows local customers an average of 30 days of credit and export customers 60 days of credit. MPIC (a) allows 14 days of credit for its water service customers, (b) collects toll fees through its associated company, Tollways Management Corporation (TMC), by cash, by prepaid and reloadable electronic toll collection devices and by credit card payment and (c) generally collects charges when services are rendered to its hospital customers, except for certain corporate customers which are allowed an average of 30 days of credit.

(F) Accounts receivable with a net book amount of US$71.0 million (2011: Nil) were pledged as security for certain of the Group's banking facilities (Note 25(D)).

18. Available-for-sale Assets

	Consolidated	
US$ millions	**2012**	2011
Listed investments, at fair value:		
– Equity investments – Overseas	**57.8**	63.3
– Debentures with a fixed interest rate of 6.0% to 9.0% (2011: 7.4% to 14.0%) and a maturity date of between 31 July 2013 and 24 October 2037 (2011: between 31 July 2013 and 3 March 2016) – Overseas	**15.6**	13.4
Unlisted investments, at cost less impairment provisions:		
– Equity investments – Overseas	**24.9**	17.5
Unlisted investments, at fair value:		
– Club debentures – Hong Kong	**2.3**	2.3
Total	**100.6**	96.5
Presented as:		
Non-Current Portion	**41.9**	33.1
Current Portion	**58.7**	63.4
Total	**100.6**	96.5

The fair values of the listed equity investments and debentures are based on quoted market prices. The fair value of the unlisted investments in club debentures has been estimated by reference to recent market transaction prices. The Directors believe that the estimated fair values by reference to market prices, which are recorded in the carrying amounts of the available-for-sale assets, and the related changes in fair values, which are recorded directly in the Group's equity, are reasonable, and that they are the most appropriate values at the end of the reporting period.

19. Deferred Tax

The movements in deferred tax assets during the year are as follows:

			Consolidated		
US$ millions	Tax losses carry forward	Allowance for doubtful accounts	Liabilities for employee retirement benefits	Others	**Total**
Deferred Tax Assets					
At 1 January 2012	30.2	5.0	45.8	28.9	**109.9**
Exchange translation	(2.3)	(0.3)	(3.2)	(0.7)	**(6.5)**
Credit/(charge) to the consolidated income statement (Note 7)	19.1	2.0	13.7	(17.6)	**17.2**
Credit to the other comprehesive (loss)/income	–	–	10.9	–	**10.9**
Other movements	–	–	–	0.8	**0.8**
At 31 December 2012	47.0	6.7	67.2	11.4	**132.3**

			Consolidated		
US$ millions	Tax losses carry forward	Allowance for doubtful accounts	Liabilities for employee retirement benefits	Others	Total (Restated)
Deferred Tax Assets					
At 1 January 2011	23.9	3.4	45.2	10.3	82.8
Exchange translation	(0.4)	(0.1)	(0.4)	(0.4)	(1.3)
Acquisition of subsidiary companies (Note 31(D))	–	0.7	0.4	2.2	3.3
Credit to the consolidated income statement (Note 7)	6.7	1.0	2.2	15.2	25.1
Charge to the other comprehensive (loss)/income	–	–	(1.6)	–	(1.6)
Other movements	–	–	–	1.6	1.6
At 31 December 2011	30.2	5.0	45.8	28.9	109.9

The movements in deferred tax liabilities during the year are as follows:

US$ millions	Allowance in excess of related depreciation of property, plant and equipment	Change in fair value of plantations	Brands	Withholding tax on undistributed earnings of subsidiary and associated companies	Others	**Total**
			Consolidated			
Deferred Tax Liabilities						
At 1 January 2012	(201.1)	(101.4)	(88.4)	(41.8)	(14.0)	**(446.7)**
Exchange translation	2.5	6.8	5.9	(1.1)	1.0	**15.1**
Acquisition of subsidiary companies (Note 31(D))	–	–	–	–	(2.6)	**(2.6)**
Credit/(charge) to the consolidated income statement (Note 7)	5.6	(1.5)	5.2	(17.9)	(12.8)	**(21.4)**
Transfer to provision for taxation (Note 26)	–	–	–	19.7	–	**19.7**
Other movements	–	–	–	–	(0.8)	**(0.8)**
At 31 December 2012	(193.0)	(96.1)	(77.3)	(41.1)	(29.2)	**(436.7)**

US$ millions	Allowance in excess of related depreciation of property, plant and equipment	Change in fair value of plantations	Brands	Withholding tax on undistributed earnings of subsidiary and associated companies	Others	Total
			Consolidated			
Deferred Tax Liabilities						
At 1 January 2011	(196.6)	(99.7)	(94.6)	(32.4)	(7.0)	(430.3)
Exchange translation	1.8	0.5	0.7	–	(0.2)	2.8
Acquisition of subsidiary companies (Note 31(D))	–	–	–	–	(1.3)	(1.3)
Credit/(charge) to the consolidated income statement (Note 7)	(6.3)	(2.2)	5.5	(18.5)	(3.3)	(24.8)
Transfer to provision for taxation (Note 26)	–	–	–	9.1	–	9.1
Other movements	–	–	–	–	(2.2)	(2.2)
At 31 December 2011	(201.1)	(101.4)	(88.4)	(41.8)	(14.0)	(446.7)

Pursuant to the Philippines and Indonesian income tax laws, withholding taxes of 10% to 15% are levied on dividends declared to foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiary and associated companies in the Philippines and Indonesia. The Group had fully recognized the deferred tax liabilities for the withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of its associated companies established in the Philippines. However, except for those earnings to be distributed as dividends, no deferred tax liabilities had been recognized for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiary companies established in the Philippines and Indonesia. In the opinion of the Directors, it is not probable that these subsidiary companies will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiary companies in the Philippines and Indonesia for which deferred tax liabilities have not been recognized totaled approximately US$61.7 million at 31 December 2012 (2011: US$53.8 million).

The Group has tax losses of US$47.9 million (2011: US$33.7 million) that may be carried forward for five years for offsetting against future taxable profits of the companies in which the losses arose.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

20. Pledged Deposits and Restricted Cash

At 31 December 2012, the Group had US$11.1 million (2011: US$11.1 million) of pledged bank deposits and US$33.1 million (2011: US$43.7 million) of cash which was set aside to cover principal and interest payments of certain borrowings and restricted as to use.

21. Other Non-current Assets

	Consolidated	
US$ millions	**2012**	2011
Plasma receivables	**56.1**	60.3
Claims for tax refund	**53.5**	53.4
Deposits for acquisition of assets	**40.4**	51.1
Prepayments	**32.3**	2.0
Others	**106.1**	69.2
Total	**288.4**	236.0

(A) The plasma receivables represent advances made by Indofood to certain farmers in relation to arrangements for those farmers' production of FFB. The carrying amounts of the plasma receivables approximate to their fair value.

(B) The claims for tax refund relate to the tax payment in advance made by Indofood in respect of wheat importation which is creditable against Indofood's corporate income tax payable.

(C) The deposits for acquisition of assets mainly represent Indofood's deposits for the acquisition of certain land rights.

(D) The prepayments mainly represent Indofood's prepaid rentals for port facilities.

22. Cash and Cash Equivalents

	Consolidated		Company	
US$ millions	**2012**	2011	**2012**	2011
Cash at banks and on hand	**1,653.8**	1,484.7	**226.6**	22.0
Short-term time deposits	**521.2**	390.7	**332.0**	63.4
Total	**2,175.0**	1,875.4	**558.6**	85.4

(A) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

(B) Cash and cash equivalents with a net book amount of US$14.2 million (2011: US$12.3 million) were pledged as security for certain of the Group's banking facilities (Note 25(D)).

23. Inventories

US$ millions	Consolidated 2012	2011
Raw materials	**494.3**	448.2
Work in progress	**12.0**	8.9
Finished goods	**310.4**	274.6
Total	**816.7**	731.7

(A) At 31 December 2012, inventories with a carrying amount of US$106.5 million (2011: US$112.0 million) were carried at net realizable value.

(B) At 31 December 2012, inventories with a carrying amount of US$3.6 million (2011: US$5.7 million) were pledged as security for certain of the Group's banking facilities (Note 25(D)).

24. Accounts Payable, Other Payables and Accruals

US$ millions	Consolidated 2012	2011
Accounts payable	**288.8**	234.2
Accrued expenses	**390.3**	313.2
Other payables	**305.3**	249.1
Total	**984.4**	796.5

The ageing profile based on invoice dates of accounts payable is analyzed as follows:

US$ millions	Consolidated 2012	2011
0 to 30 days	**261.0**	221.2
31 to 60 days	**7.8**	1.9
61 to 90 days	**6.7**	1.5
Over 90 days	**13.3**	9.6
Total	**288.8**	234.2

All of the accounts payable, other payables and accruals are expected to be settled within one year. The carrying amount of the Group's accounts payable, other payables and accruals approximates to their fair value.

25. Borrowings

US$ millions	Effective interest rate (%)	Maturity	Notes	Consolidated 2012	2011
Short-term					
Bank loans	1.4 – 12.5 (2011: 4.0 – 18.0)	2013 (2011: 2012)	(A)	**923.9**	900.6
Other loans	2.5 – 18.0 (2011: 2.5 – 18.0)	2013 (2011: 2012)		**2.6**	218.7
Subtotal				**926.5**	1,119.3
Long-term					
Bank loans	1.4 – 12.5 (2011: 4.0 – 18.0)	2014 – 2026 (2011: 2013 – 2026)	(B)	**1,900.8**	1,624.7
Other loans	6.5 – 13.2 (2011: 2.5 – 13.2)	2014 – 2020 (2011: 2013 – 2020)	(C)	**1,537.7**	951.0
Subtotal				**3,438.5**	2,575.7
Total				**4,365.0**	3,695.0

The balance of short-term borrowings includes US$142.9 million (2011: US$567.5 million) of the current portion of long-term borrowings. The maturity profile of the Group's borrowings is as follows:

	Consolidated					
	Bank loans		Other loans		**Total**	
US$ millions	**2012**	2011	**2012**	2011	**2012**	2011
Not exceeding one year	**923.9**	900.6	**2.6**	218.7	**926.5**	1,119.3
More than one year but not exceeding two years	**259.2**	139.5	**242.0**	0.8	**501.2**	140.3
More than two years but not exceeding five years	**1,032.1**	854.2	**504.5**	259.1	**1,536.6**	1,113.3
More than five years	**609.5**	631.0	**791.2**	691.1	**1,400.7**	1,322.1
Total	**2,824.7**	2,525.3	**1,540.3**	1,169.7	**4,365.0**	3,695.0
Representing amounts						
– wholly payable within five years	**2,215.2**	1,894.3	**749.1**	478.6	**2,964.3**	2,372.9
– not wholly payable within five years	**609.5**	631.0	**791.2**	691.1	**1,400.7**	1,322.1
Total	**2,824.7**	2,525.3	**1,540.3**	1,169.7	**4,365.0**	3,695.0

The carrying amounts of the borrowings are denominated in the following currencies:

US$ millions	Consolidated 2012	2011
U.S. dollar	**2,307.3**	1,768.8
Rupiah	**1,113.1**	1,136.1
Peso	**944.6**	790.1
Total	**4,365.0**	3,695.0

An analysis of the carrying amounts of borrowings into fixed and variable interest rates is as follows:

	Consolidated	
US$ millions	**2012**	2011
Fixed interest rate	**2,315.1**	1,987.1
Variable interest rate	**2,049.9**	1,707.9
Total	**4,365.0**	3,695.0

The carrying amounts and fair values of the non-current portion of long-term borrowings are as follows:

	Carrying amounts		Fair values	
US$ millions	**2012**	2011	**2012**	2011
Bank loans	**1,900.8**	1,624.7	**1,991.1**	1,681.0
Other loans	**1,537.7**	951.0	**1,704.9**	1,016.6
Total	**3,438.5**	2,575.7	**3,696.0**	2,697.6

The fair values are based on published price quotations for listed bonds issued by the Group and projected cash flows discounted using the borrowing rates ranging from 2.0% to 18.0% (2011: 2.2% to 18.0%) for the other fixed interest rate borrowings. The carrying amounts of the Group's variable interest rate borrowings approximate to their fair values due to frequent repricing.

The carrying amounts of the short-term borrowings (which include the current portion of long-term borrowings) approximate to their fair values. Details of the borrowings are set out below.

(A) Short-term Bank Loans

The balance includes a bank loan of US$46.3 million (with a face value of US$46.3 million) (2011: US$46.2 million) borrowed by a wholly-owned subsidiary company of the Company, drawn in November 2006, secured by the Group's 1.1% (2011: 1.1%) interest in PLDT and guaranteed by the Company, subject to a variable London Interbank Offered Rate (LIBOR)-based interest rate, which is repayable in November 2013.

(B) Long-term Bank Loans

The balance includes US$584.8 million (with an aggregate face value of US$594.0 million) of bank loans (2011: US$382.8 million, with an aggregate face value of US$390.3 million) borrowed by certain wholly-owned subsidiary companies of the Company with details summarized as follows:

(a) A US$49.4 million (with a face value of US$50.0 million) bank loan (2011: US$49.3 million) drawn in August 2011, secured by the Group's 1.1% (2011: 1.1%) interest in PLDT and guaranteed by the Company, subject to a variable LIBOR-based interest rate, which is repayable in August 2016.

(b) A US$195.9 million (with a face value of US$200.0 million) bank loan (2011: US$194.7 million) drawn in September 2011, secured by the Group's 3.7% (2011: 3.7%) interest in PLDT and guaranteed by the Company, subject to a variable LIBOR-based interest rate, which is repayable in February 2016.

(c) A US$93.1 million (with a face value of US$94.0 million) bank loan (2011: US$92.6 million) drawn in October 2011, secured by the Group's 9.7% (2011: 9.7%) interest in Philex and guaranteed by the Company, subject to a variable LIBOR-based interest rate, which is repayable in October 2014.

(d) A US$49.4 million (with a face value of US$50.0 million) bank loan (2011: Nil) drawn in January 2012, secured by the Group's 4.9% (2011: Nil) interest in Philex and guaranteed by the Company, subject to a variable LIBOR-based interest rate, which is repayable in January 2017.

(e) A US$197.0 million (with a face value of US$200.0 million) bank loan (2011: Nil) drawn in June 2012, secured by the Group's 3.6% (2011: Nil) interest in PLDT and guaranteed by the Company, subject to a variable LIBOR-based interest rate, which is repayable in June 2015.

(C) Long-term Other Loans

The balance includes bonds issued by FPMH Finance Limited, FPT Finance Limited and FPC Finance Limited, wholly-owned subsidiary companies of the Company, Indofood and SIMP. Details are summarized as follows:

(a) US$295.9 million (with a face value of US$300.0 million) (2011: US$295.2 million) of guaranteed secured bonds issued by FPMH Finance Limited, in July 2010, with a coupon rate of 7.375% per annum, are payable semi-annually, and mature in July 2017. The bonds are guaranteed by the Company and are secured by (i) a 45.5% (2011: 45.5%) interest in MPIC common shares and (ii) an amount of cash to be used for the payment of next installment interest of the bonds.

(b) US$395.9 million (with a face value of US$400.0 million) (2011: US$395.4 million) of guaranteed secured bonds issued by FPT Finance Limited, in September 2010, with a coupon rate of 6.375% per annum, are payable semi-annually, and mature in September 2020. The bonds are guaranteed by the Company and secured by a 6.9% (2011: 7.0%) interest in PLDT.

(c) US$395.0 million (with a face value of US$400.0 million) (2011: Nil) of unsecured bonds issued by FPC Finance Limited, in June 2012, with a coupon rate of 6.0% per annum, are payable semi-annually, and mature in June 2019. The bonds are guaranteed by the Company.

(d) Rupiah 1.6 trillion (US$166.0 million) of unsecured Rupiah bonds (2011: US$176.8 million) issued by Indofood in June 2009, with a coupon rate of 13.2% per annum, are payable quarterly, and mature in June 2014.

(e) Rupiah 2.0 trillion (US$206.0 million) of unsecured Rupiah bonds (2011: Nil) issued by Indofood in May 2012, with a coupon rate of 7.25% per annum, are payable quarterly, and mature in May 2017.

(f) Rupiah 450 billion (US$46.5 million) of unsecured Rupiah bonds (2011: US$49.5 million) issued by SIMP in November 2009, with a coupon rate of 11.65% per annum, are payable quarterly, and mature in November 2014.

(g) Rupiah 277 billion (US$28.6 million) of unsecured Islamic lease-based bonds (2011: US$30.4 million) issued by SIMP in November 2009, with a coupon rate of 11.65% per annum, are payable quarterly, and mature in November 2014.

(D) Charges on Group Assets

At 31 December 2012, the total borrowings include secured bank and other borrowings of US$1,962.3 million (2011: US$2,019.7 million). Such bank and other borrowings were secured by the Group's property, plant and equipment, plantations, other intangible assets, pledged deposits, cash and cash equivalents, accounts receivable and inventories equating to a net book value of US$1,120.8 million (2011: US$820.6 million) and the Group's interests of 16.4% (2011: 16.7%) in PLDT, 45.5% (2011: 45.5%) in MPIC, 14.6% (2011: 9.7%) in Philex, 46.8% (2011: 46.8%) in Maynilad and 99.8% (2011: 99.8%) in MPTC.

(E) Bank Covenants

The Group has complied with all of its bank covenants, except for those related to Metro Pacific Corporation (Metro Pacific). Since the fourth quarter of 2001, Metro Pacific has been unable to meet its debt obligations. At 31 December 2012, Metro Pacific had Pesos 70 million (US$1.7 million) (2011: Pesos 71 million or US$1.6 million) outstanding debt obligations.

26. Provision for Taxation

US$ millions	Consolidated 2012	2011
At 1 January	**49.6**	54.4
Exchange translation	**(2.4)**	(0.2)
Provision for taxation on estimated assessable profits for the year (Note 7)	**225.6**	216.1
Transfer from deferred taxation (Note 19)	**19.7**	9.1
Total	**292.5**	279.4
Taxes paid	**(253.5)**	(229.8)
At 31 December	**39.0**	49.6

27. Deferred Liabilities and Provisions

				Consolidated	
US$ millions	Pension	Long-term liabilities	Others	**2012**	2011
At 1 January	290.3	266.6	187.9	**744.8**	670.6
Exchange translation	(19.5)	17.3	10.5	**8.3**	(3.6)
Additions	86.5	65.7	18.9	**171.1**	164.3
Payment and utilization	(1.9)	(52.8)	(58.6)	**(113.3)**	(103.9)
Acquisition of subsidiary companies (Note 31(D))	–	–	–	**–**	19.1
Other movements	–	–	–	**–**	(1.7)
At 31 December	355.4	296.8	158.7	**810.9**	744.8
Presented as:					
Current Portion	–	16.8	102.9	**119.7**	137.6
Non-current Portion	355.4	280.0	55.8	**691.2**	607.2
Total	355.4	296.8	158.7	**810.9**	744.8

The pension relates to accrued liabilities in relation to retirement schemes and long service payments.

The long-term liabilities mainly relate to Maynilad's concession fees payable to MWSS, including a provision for certain additional concession fees payable and related interest amounts in dispute between Maynilad and MWSS recognized by the Group upon its acquisition of Maynilad, and deferred credits (which represent foreign exchange gains and other payables which will be refunded to the customers and foreign exchange differences arising from retranslation of the portion of Maynilad's foreign currency denominated concession fees payable and loans) and Indofood's accrued liabilities for dismantlement, removal or restoration in relation to property, plant and equipment. In respect of the disputed amounts with MWSS, no final resolution has been reached at 31 December 2012.

The others mainly represent provisions for various claims and potential claims against the Group.

28. Share Capital

US$ millions	Consolidated and Company 2012	2011
Authorized		
5,000,000,000 (2011: 5,000,000,000) ordinary shares of U.S. 1 cent each	**50.0**	50.0
Issued and fully paid		
At 1 January	**38.5**	39.0
Issue of shares upon the exercise of share options	**0.3**	0.2
Repurchase and cancellation of shares	**(0.5)**	(0.7)
At 31 December		
3,827,587,751 (2011: 3,850,415,231) ordinary shares of U.S. 1 cent each	**38.3**	38.5

(A) During the year, 29,520,520 (2011: 24,919,753) share options were exercised at the exercise prices of HK$5.31 per share, HK$5.0569 per share, HK$3.1072 per share and HK$1.6698 per share (2011: HK$5.0569 per share, HK$3.1072 per share and HK$1.6698 per share), resulting in the issue of 29,520,520 (2011: 24,919,753) new ordinary shares of U.S. 1 cent each for a total cash consideration of HK$122.3 million (US$15.8 million) (2011: HK$85.8 million or US$11.0 million). Details of the Company's share option scheme are set out in Note 34(D)(a) to the Consolidated Financial Statements.

(B) On 1 June 2010, the Company announced that its Directors have approved a program to repurchase up to US$130 million (HK$1 billion) in value of the Company's shares from the open market, by way of "on market" repurchases, over a 24-month period. On 20 March 2012, the Company's Directors approved a new share repurchase program to spend, subject to the state of the financial markets, economic conditions affecting group companies and potential merger and acquisition opportunities, up to 10% of its annual recurring profit on share repurchases. The new program replaced the previous two-year program that ended in early June 2012. Under this program, the Company has allocated approximately US$42.3 million, representing approximately 10% of the Group's recurring profit of US$423.0 million in respect of the financial year ended 31 December 2011, to repurchase shares in the Company by way of "on-market" repurchases up to 31 May 2013. In addition, the Company has allocated approximately 50% of US$36.0 million, representing approximately 10% of the Group's recurring profit of US$360.0 million in respect of the financial year ended 31 December 2012, to repurchase shares in the Company by way of "on-market" repurchases during the period from 1 June 2013 to 31 May 2014.

During the year, the Company repurchased 52,348,000 (2011: 76,878,000) ordinary shares on the SEHK at an aggregate consideration of HK$438.3 million (US$56.5 million) (2011: HK$538.2 million or US$69.4 million). These shares have been subsequently cancelled. Details of the repurchases are summarized as follows:

Month of repurchases	Number of ordinary shares repurchased	Purchase price paid per share Highest HK$	Lowest HK$	Aggregate consideration paid HK$ millions	US$ millions
January 2012	**3,424,000**	9.08	7.74	**29.6**	**3.8**
February 2012	**10,336,000**	9.10	8.41	**88.8**	**11.5**
March 2012	**3,688,000**	9.00	8.55	**32.1**	**4.2**
April 2012	**4,216,000**	9.15	8.50	**37.4**	**4.8**
May 2012	**12,544,000**	8.63	7.51	**100.3**	**13.0**
June 2012	**2,812,000**	8.07	7.48	**21.8**	**2.8**
July 2012	**1,710,000**	8.40	8.27	**14.3**	**1.8**
September 2012	**1,842,000**	8.30	8.06	**15.6**	**2.0**
November 2012	**8,704,000**	8.55	8.05	**72.5**	**9.3**
December 2012	**3,072,000**	8.50	8.29	**25.9**	**3.3**
Total	**52,348,000**			**438.3**	**56.5**

The repurchases were effected by the Directors with a view to benefiting the shareholders as a whole by enhancing the Company's net assets and earnings per share.

Except as disclosed above, neither the Company, nor any of its subsidiary companies, has made any purchase, sale or redemption of any of the Company's listed securities during the year.

29. Other Components of Equity

The Group's other components of equity comprise share premium, share options issued, exchange reserve, unrealized gains/losses on available-for-sale assets, unrealized gains/losses on cash flow hedges, income tax related to cash flow hedges, differences arising from changes in equities of subsidiary companies, and capital and other reserves. The Company's other components of equity comprise share premium, share option issued, capital redemption reserve and contributed surplus.

The share premium relates to the amount of fund received by the Company in excess of the par value of its shares issued. It may be used for distribution in the form of fully paid bonus shares and write off of expenses related to issue of shares by the Company.

The share options issued reflects the amortization of fair value of share options granted by the Company and the Group's entities (which include the Group's subsidiary and associated companies and joint ventures) which are yet to be exercised. The amount for the Company will either be transferred to the share premium when the related share options are exercised, or be transferred to retained earnings should the related options expire or be forfeited. The amount for the Group's entities will either be transferred to differences arising from changes in equities of subsidiary companies (for subsidiary companies) or the consolidated income statement (for associated companies and joint ventures) when the related share options are exercised, expire or be forfeited.

The exchange reserve represents the resulting exchange differences arising from the translation of results and financial position of the Group's entities that have a functional currency different from the Company's presentation currency.

The unrealized gains/losses on available-for-sale assets relates to changes in the fair value of available-for-sale assets of the Group's entities.

The unrealized gains/losses on cash flow hedges and income tax related to cash flow hedges relates to the effective portion of changes in fair value of cash flow hedges of the Group's entities.

The differences arising from changes in equities of subsidiary companies relates to a change in the Group entities' ownership interest in their subsidiary companies without a change of control.

The Group's capital and other reserves includes capital reserves arising from reorganization activities in some of the Group's entities, revaluation reserve arising from revaluation of certain non-current assets of the Group's entities, reserves of a disposal group of associated companies classified as held for sale which pertains to discontinued operations of associated companies and US$1.7 million (2011: US$1.2 million) of the capital redemption reserve arising from the Company's share repurchases.

The US$173.8 million (2011: US$173.8 million) contributed surplus of the Company arose from a reorganization of the Group in 1988 and represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiary companies acquired at the date of acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus provided certain conditions are met.

An analysis of the Group's exchange reserve, by principal operating company, is set out below.

	Consolidated	
US$ millions	**2012**	2011
PLDT	**56.6**	(12.7)
MPIC	**113.6**	46.2
Indofood	**(66.1)**	1.8
Philex	**38.0**	18.3
Others	**(0.1)**	(1.2)
Total	**142.0**	52.4

An analysis of the accumulated reserves of associated companies and joint ventures, included within consolidated reserves, is set out below.

	Associated Companies		Joint Ventures		Consolidated	
US$ millions	**2012**	2011	**2012**	2011	**2012**	2011
Associated Companies and Joint Ventures						
Revenue reserve	**(706.9)**	(595.1)	**113.6**	29.3	**(593.3)**	(565.8)
Exchange reserve	**94.6**	5.6	**2.3**	(0.5)	**96.9**	5.1
Unrealized gains on cash flow hedges	**3.3**	8.8	**–**	–	**3.3**	8.8
Capital and other reserves	**12.8**	13.2	**–**	–	**12.8**	13.2
Total (Note 14)	**(596.2)**	(567.5)	**115.9**	28.8	**(480.3)**	(538.7)

30. Non-controlling Interests

An analysis of the Group's non-controlling interests, by principal operating company, is set out below.

	Consolidated	
US$ millions	**2012**	2011
Indofood	**2,850.7**	2,879.0
MPIC	**1,160.0**	977.5
Total	**4,010.7**	3,856.5

31. Notes to the Consolidated Statement of Cash Flows

(A) Investment in a Convertible Note

2012's cash outflow of US$160.9 million represents MPTC's Pesos 6.8 billion investment in a convertible note issued by CHI. Details of this investment are set out in Note 38(A) to the Consolidated Financial Statements.

(B) Increased Investments in a Joint Venture

2012's cash outflow of US$64.2 million represents MPIC's equity infusion of Pesos 2.7 billion into Beacon Electric.

(C) Investments in Associated Companies

2012's cash outflow of US$25.3 million represents Indofood's US$18.5 million of investments in a 26.4% interest in Heliae Technology Holdings, Inc., which engages in the development and production of fertilizer and other chemicals, and US$6.8 million of investment in a 49.0% interest in PT Asahi Indofood Beverages Makmur, which engages in the manufacturing of non-alcoholic beverages in Indonesia.

(D) Acquisition of a Subsidiary Company

US$ millions	Provisional fair value recognized on acquisition[i]		Carrying amount immediately before the acquisition	
	MPIC's acquisition of Philippine Hydro (PH), Inc. (PHI) 2012 Total	MPIC's acquisitions of Asian Hospital, Inc. (AHI), Colinas Verdes Hospital Managers Corporation (CVHMC) and their subsidiary companies 2011 Total	**2012 Total**	2011 Total
Consideration				
Cash and cash equivalents	**5.0**	20.3		
Accounts payable	**7.5**	17.1		
Deferred liabilities and provisions (Current)	**–**	29.8		
Associated companies	**–**	1.0		
Total	**12.5**	68.2		
Net Assets				
Property, plant and equipment (Note 11)	**–**	113.8	**–**	107.0
Other intangible assets (Note 16)	**7.0**	–	**7.0**	–
Accounts receivable, other receivables and prepayments (Non-current)	**–**	0.7	**–**	0.7
Deferred tax assets (Note 19)	**–**	3.3	**–**	3.3
Other non-current assets	**8.6**	0.9	**0.1**	0.6
Cash and cash equivalents	**0.1**	11.5	**0.1**	11.5
Accounts receivable, other receivables and prepayments (Current)	**0.9**	8.8	**0.9**	8.8
Inventories	**–**	2.0	**–**	2.0
Accounts payable, other payables and accruals	**(2.5)**	(23.9)	**(2.5)**	(24.0)
Short-term borrowings	**(0.8)**	(4.3)	**(0.8)**	(4.3)
Long-term borrowings	**(0.8)**	(34.4)	**(0.8)**	(32.0)
Deferred liabilities and provisions (Note 27)	**–**	(19.1)	**–**	(17.9)
Deferred tax liabilities (Note 19)	**(2.6)**	(1.3)	**–**	–
Total Net Assets Acquired	**9.9**	58.0	**4.0**	55.7
Goodwill (Note 15)	**2.6**[i]	10.2		
Net Cash Outflow Per the Consolidated Statement of Cash Flows	**(4.9)**	(8.8)		

(i) Provisional amounts determined based on the management's best estimates of the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed, and subject to revision upon their further assessment

In August 2012, Maynilad, an indirect subsidiary of MPIC, acquired a 100% interest in PHI for a total consideration of Pesos 595 million (US$14.1 million). PHI engages in water distribution business in central and southern Luzon. In February 2013, Maynilad was able to negotiate a discount on the purchase price amounting to Peso 68 million (US$1.6 million) to cover PHI's failure to deliver certain documents and fulfil certain conditions precedent. As a result, Maynilad's consideration for acquiring PHI effectively reduced to Pesos 527 million (US$12.5 million).

The goodwill of US$2.6 million, which was determined provisionally, represents the fair value of expected economic benefit that the Group will obtain arising from the acquisition of PHI and pertains, but is not limited, to the expected synergies from the sharing of best practices in the operations and management of the water distribution business.

The goodwill arising from MPIC's acquisitions of AHI and CVHMC pertains, but is not limited, to the followings (a) nationwide presence and visibility of MPIC's hospital network in Southern Metro Manila, (b) bargaining power and cost efficiency in inventory management and equipment procurement by consolidating hospital requirements from common suppliers and service providers and (c) sharing of best practices in the operations and management of hospitals.

Since the date of acquisition, PHI recorded a profit for the year of US$0.2 million, which is included in the consolidated income statement of the Group. If the acquisition had taken place on 1 January 2012, the turnover and net profit of the Group for the year ended 31 December 2012 would have been US$5,992.0 million and US$830.4 million, respectively. PHI acquired during the year had net cash inflows from operating activities of US$0.7 million, net cash outflows of US$0.1 million in respect of investing activities and net cash outflows of US$0.3 million in respect of financing activities during the year.

(E) Purchase of Preferred Shares of a Joint Venture

2012's cash outflow of US$84.7 million represents MPIC's purchase of approximately Pesos 3.6 billion of Beacon Electric's preferred shares.

32. Commitments and Contingent Liabilities

(A) Capital Expenditure

	Consolidated	
US$ millions	**2012**	2011
Commitments in respect of subsidiary companies:		
Authorized, but not contracted for	**1,132.1**	740.9
Contracted, but not provided for	**256.0**	248.2
Total	**1,388.1**	989.1

The Group's capital expenditure commitments principally relate to Indofood's purchase of property, plant and equipment, investments in plantations, and Maynilad's and MNTC's construction of water and toll road infrastructures.

At 31 December 2012, the Company had no commitments in respect of capital expenditure (2011: Nil).

(B) Leasing Commitments

At 31 December 2012, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	Consolidated	
US$ millions	**2012**	2011
Land and Buildings		
– Within one year	**3.7**	3.5
– Between two and five years, inclusive	**14.1**	13.2
– After five years	**3.1**	3.1
Subtotal	**20.9**	19.8
Plant and Equipment		
– Within one year	**2.0**	2.0
– Between two and five years, inclusive	**3.1**	4.6
Subtotal	**5.1**	6.6
Total	**26.0**	26.4

At 31 December 2012, the Company did not have any leasing commitments (2011: Nil).

(C) Contingent Liabilities

(a) At 31 December 2012, except for US$99.8 million (2011: US$85.1 million) guarantees given by Indofood for loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of FFB to Indofood, the Group had no significant contingent liabilities (2011: Nil). At 31 December 2012, the contingent liabilities at the Company in respect of its guarantees given to (i) certain bondholders in connection with the bonds issued by certain wholly-owned subsidiary companies and (ii) certain banks in connection with the loan facilities granted to certain wholly-owned subsidiary companies of the Company amounted to US$29.2 million (2011: US$21.9 million), which represents the total amount of guarantees it had given for these facilities less its amounts due to these wholly-owned subsidiary companies.

(b) On 28 June 2011, the Supreme Court of the Philippines promulgated a Decision in the case of Wilson P. Gamboa vs. Finance Secretary Margarito B. Teves, et. al. (G.R. No. 176579), or the Gamboa Case, where the Supreme Court held that "the term 'capital' in Section 11, Article XII of the 1987 Constitution refers only to shares of stock entitled to vote in the election of directors and thus, in the case of PLDT, only to voting common shares, and not to the total outstanding capital stock (common and non-voting preferred shares)" (the Decision). The Decision of the Supreme Court reversed earlier opinions issued by the Philippine Securities and Exchange Commission (SEC) that non-voting preferred shares are included in the computation of the 60% to 40% Filipino-alien equity requirement of certain economic activities, such as telecommunications which is a public utility under Section 11, Article XII of the 1987 Constitution. Several Motions for Reconsideration of the Decision were filed by the parties.

While PLDT was not a party to the Gamboa Case, the Supreme Court directed the Philippine SEC in the Gamboa Case "to apply this definition of the term 'capital' in determining the extent of allowable foreign ownership in Philippine Long Distance Telephone Company, and if there is a violation of Section 11, Article XII of the Constitution, to impose the appropriate sanctions under the law."

Nonetheless, on 5 July 2011, the board of directors of PLDT approved the amendments to the Seventh Article of PLDT's Articles of Incorporation consisting of the sub-classification of its authorized preferred capital stock into preferred shares with full voting rights, or Voting Preferred Shares, and serial preferred shares without voting rights, and other conforming amendments, or the Amendments. The Amendments were approved by the stockholders of PLDT on 22 March 2012 and by the Philippine SEC on 5 June 2012.

On 9 October 2012, the Supreme Court denied with finality the Motions for Reconsideration filed by the parties to the Gamboa case. On 18 October 2012, the Decision became final and executory.

On 12 October 2012, the board of directors of PLDT approved the specific rights, terms and conditions of the Voting Preferred Stock and authorized the subscription and issuance thereof to BTF Holdings, Inc. (BTFHI), a wholly-owned company of the Board of Trustees for the Account of the Beneficial Trust Fund created pursuant to the Benefit Plan of PLDT, or the Subscriber. On 15 October 2012, PLDT and the Subscriber executed a Subscription Agreement pursuant to which PLDT agreed to issue to the Subscriber 150 million Voting Preferred Shares subscribed at a subscription price of Peso 1.00 (US$0.02) per share, or a total subscription price of Pesos 150 million (US$3.6 million). PLDT issued the said shares to BTFHI upon full payment of the subscription price on 16 October 2012. As a result of the issuance of the shares of Voting Preferred Shares, PLDT's foreign ownership decreased from 58.4% of outstanding Common Stock as at 15 October 2012 to 34.5% of outstanding Voting Stocks (Common Stock and Voting Preferred Stock) as at 16 October 2012.

33. Employees' Benefits

(A) Remuneration

	Consolidated	
US$ millions	**2012**	2011
Basic salaries	**340.4**	325.5
Bonuses	**103.6**	66.3
Benefits in kind	**62.2**	51.3
Pension contributions	**54.2**	55.0
Retirement and severance allowances	**4.5**	8.4
Equity-settled share option expense	**1.6**	4.8
Total (Note 6)	**566.5**	511.3
Average Number of Employees	**77,335**	71,457

The above includes the remuneration of the Directors. Detailed disclosures in respect of the Directors' remuneration are set out in Note 34(A) to the Consolidated Financial Statements.

(B) Retirement Benefits

The Group operates both defined contribution and defined benefit schemes. In addition, the Group has made provisions for estimated liabilities for employee benefits for meeting the minimum benefits required to be paid to the qualified employees as required under Indonesia's labour law.

(a) Defined contribution schemes

The Group operates five (2011: five) defined contribution schemes covering approximately 18,976 (2011: 16,831) employees. The assets of these schemes are held separately from the Group and are administered by independent trustees. Contributions to the schemes, either by the Group or by the employees, are determined by reference to the employees' salaries and length of service and range from 0% to 10% (2011: 0% to 10%). Under the terms of the schemes, the Group cannot be requested to make additional payments over and above these levels of contributions. In three (2011: three) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2012, no amount (2011: Nil) was used for this purpose. At 31 December 2012, the forfeited contributions had been fully utilized.

(b) Defined benefit schemes and estimated liabilities for employee benefits

The Group operates nine (2011: nine) defined benefit schemes covering approximately 5,935 (2011: 5,894) employees. The assets of all of these schemes are held separately from the Group and are administered by independent trustees. Benefits are determined by reference to employees' final salaries and length of service, and the schemes have undergone independent valuations. These actuarial valuations, performed by the actuaries of PT Sentra Jasa Aktuaria (a member of the Fellow Society of Actuary of Indonesia and Expert in Life Insurance in Indonesia), Actuarial Advisers, Inc., Institutional Synergy, Inc., FASP and E.M. Zalamea Actuarial Services, Inc. (members of the Actuary Society of the Philippines), were based on the projected unit credit method. The plan assets do not include any financial instruments of the Group or property occupied by, or other assets used by, the Group. At 31 December 2012, the Group's level of funding in respect of its defined benefit schemes was 81.9% (2011: 78.6%).

The Group has made provisions for estimated liabilities for employee benefits covering approximately 52,446 (2011: 47,352) employees. The amounts of such provisions were determined by reference to employees' final salaries and length of service and based on actuarial computations prepared by the actuaries of PT Sentra Jasa Aktuaria (a member of the Fellow Society of Actuary of Indonesia and Expert in Life Insurance in Indonesia) using the projected unit credit method.

(I) The amounts of liability under defined benefit schemes and estimated liabilities for employee benefits included in the consolidated statement of financial position are as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	**Consolidated** **2012**	Consolidated 2011
Present value of defined benefit obligations	(40.9)	(346.2)	**(387.1)**	(318.5)
Fair value of plan assets	31.7	–	**31.7**	28.2
Liability in the Statement of Financial Position	(9.2)	(346.2)	**(355.4)**	(290.3)

(II) The changes in the present value of the defined benefit schemes and estimated liabilities for employee benefits during the year are as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	**Consolidated** **2012**	Consolidated 2011
At 1 January	(35.9)	(282.6)	**(318.5)**	(289.6)
Exchange translation	(1.7)	9.4	**7.7**	3.6
Current service cost	(3.5)	(19.3)	**(22.8)**	(22.5)
Interest cost on obligation	(2.2)	(19.1)	**(21.3)**	(26.6)
Actuarial gains/(losses)	0.1	(45.3)	**(45.2)**	8.3
Benefit paid	2.3	10.7	**13.0**	8.3
At 31 December	(40.9)	(346.2)	**(387.1)**	(318.5)

(III) The changes in the fair value of plan assets under the defined benefit schemes during the year are as follows:

	Consolidated	
US$ millions	**2012**	2011
At 1 January	**28.2**	25.8
Exchange translation	**1.0**	–
Expected return	**2.1**	2.3
Actuarial gains/(losses)	**0.9**	(0.6)
Contributions by employer	**0.8**	1.6
Benefit paid	**(1.3)**	(0.9)
At 31 December	**31.7**	28.2

The overall expected rate of return on assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

(IV) The major categories of plan assets as a percentage of the fair value of the total plan assets under the defined benefit schemes are as follows:

	Consolidated	
	2012	2011
Indonesian equities	**23%**	27%
Philippines debt securities	**46%**	43%
Philippines equities	**31%**	30%

(V) Amounts for the current and previous four years for the defined benefit schemes are as follows:

			Consolidated		
US$ millions	**2012**	2011	2010	2009	2008
Defined benefit obligations	**(40.9)**	(35.9)	(26.9)	(20.6)	(18.5)
Plan assets	**31.7**	28.2	25.8	19.4	11.0
Deficit	**(9.2)**	(7.7)	(1.1)	(1.2)	(7.5)
Experience adjustments on plan liabilities	**6.9**	10.5	11.5	(5.5)	(4.1)
Experience adjustments on plan assets	**(0.1)**	(1.1)	(1.8)	(0.8)	(0.6)

(VI) The amount recognized in the income consolidated statement and consolidated statement of comprehensive income is analyzed as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Consolidated 2012	2011
Current service cost[(i)]	3.5	19.3	**22.8**	22.5
Interest cost on obligation[(i)]	2.2	19.1	**21.3**	26.6
Expected return on plan assets[(i)]	(2.1)	–	**(2.1)**	(2.3)
Net actuarial (gains)/losses recognized in the year[(ii)]	(1.0)	45.3	**44.3**	(7.7)
Total[(i)]	2.6	83.7	**86.3**	39.1
Actual Return on Plan Assets			**9%**	8%

(i) Included in cost of sales, distribution costs, administrative expenses and other operating income/(expenses), net

(ii) Included in other comprehensive income

(VII) Principal actuarial assumptions (weighted average) at 31 December are as follows:

	Consolidated 2012	2011
Discount rate	**9%**	9%
Expected return on plan assets	**8%**	9%
Future salary increases	**8%**	9%
Future pension increases	**8%**	9%
Average remaining working life of employees (years)	**15.9**	16.4

(VIII) The Group expects to contribute US$0.7 million (2011: US$1.1 million) to its defined benefit pension plans in the next year.

(C) Loans to Officers

During 2012 and 2011, there were no loans made by the Group to officers which require disclosure pursuant to Section 161B of the Hong Kong Companies Ordinance.

34. Directors' and Senior Executives' Remuneration

(A) Directors' Remuneration

The table below shows the remuneration of the Directors on an individual basis.

Directors' Remuneration – 2012

	Non-performance based						
US$'000	Salaries	Other benefits	Pension contributions	Performance based payments[i]	Equity-settled share option expense	Fees[ii]	**2012 Total**
Chairman							
Anthoni Salim	3,413	–	–	–	–	20	**3,433**
Executive Directors							
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	3,292	461	156	1,786	290	–	**5,985**
Edward A. Tortorici	1,358	150	682	–	175	–	**2,365**
Robert C. Nicholson	1,497	26	2	987	149	–	**2,661**
Non-executive Directors							
Tedy Djuhar	–	–	–	–	–	25	**25**
Ibrahim Risjad[iii]	–	–	–	–	–	–	**–**
Benny S. Santoso	–	–	–	–	–	92	**92**
Napoleon L. Nazareno	1,717	17	–	3,159	–	91	**4,984**
Independent Non-executive Directors							
Graham L. Pickles	–	–	–	–	–	75	**75**
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	–	50	**50**
Jun Tang	–	–	–	–	–	45	**45**
Margaret Leung Ko May Yee, *SBS, JP*[iv]	–	–	–	–	–	–	**–**
Philip Fan Yan Hok[iv]	–	–	–	–	–	–	**–**
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*[v]	–	–	–	–	–	20	**20**
Total	11,277	654	840	5,932	614	418	**19,735**

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards
(ii) For meetings attended
(iii) The late Mr. Ibrahim Risjad passed away on 16 February 2012.
(iv) Mrs. Margaret Leung Ko May Yee and Mr. Philip Fan Yan Hok were appointed as Independent Non-Executive Directors of the Company with effect from 21 December 2012.
(v) Dr. Christine K.W. Loh resigned from the Board of Directors of the Company with effect from 12 September 2012.

Directors' Remuneration – 2011

US$'000	Non-performance based							
	Salaries	Other benefits	Pension contributions	Performance based payments[i]	Equity-settled share option expense	Fees[ii]	Emoluments[iii]	2011 Total
Chairman								
Anthoni Salim	2,732	–	–	–	–	25	–	2,757
Executive Directors								
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	2,644	868	156	2,377	780	–	–	6,825
Edward A. Tortorici	1,201	184	724	–	470	–	–	2,579
Robert C. Nicholson	1,269	26	2	1,101	400	–	–	2,798
Non-executive Directors								
Ambassador Albert F. del Rosario[iv]	–	–	–	–	–	246	–	246
Tedy Djuhar	–	–	–	–	–	40	–	40
Ibrahim Risjad[v]	–	–	–	–	–	–	–	–
Benny S. Santoso	–	–	–	–	–	115	–	115
Napoleon L. Nazareno	1,876	–	–	2,043	–	155	–	4,074
Independent Non-executive Directors								
Graham L. Pickles	–	–	–	–	–	85	–	85
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	–	70	–	70
Sir David W.C. Tang, *KBE*[vi]	–	–	–	–	–	5	32	37
Jun Tang	–	–	–	–	391	50	–	441
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*[vii]	–	–	–	–	172	25	–	197
Total	9,722	1,078	882	5,521	2,213	816	32	20,264

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards
(ii) For meetings attended
(iii) For consultancy services provided to the Company
(iv) Ambassador Albert F. del Rosario resigned from the Board of Directors of the Company with effect from 25 March 2011.
(v) The late Mr. Ibrahim Risjad passed away on 16 February 2012.
(vi) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.
(vii) Dr. Christine K.W. Loh was appointed as an Independent Non-Executive Director of the Company with effect from 1 June 2011 and resigned from the Board of Directors of the Company with effect from 12 September 2012.

Included within the total Directors' remuneration is an amount of US$1.8 million (2011: US$1.5 million) paid by PLDT, an associated company, in respect of the services of the Managing Director and Chief Executive Officer of the Company.

(B) Senior Executives' Remuneration

Similar remuneration schemes operate for the senior executives of the Group. In 2011 and 2012, none of the senior executives were among the Group's five highest earning employees. All of the five highest earning employees were the Company's Directors in 2011 and 2012.

(C) Key Management Personnel Compensation

US$ millions	Consolidated 2012	2011
Non-performance based		
– Salaries and benefits	**52.4**	50.6
– Pension contributions	**1.6**	1.8
Performance based		
– Bonuses and long-term monetary incentive awards	**29.0**	30.7
Equity-settled share option expense	**1.6**	4.8
Fees	**0.4**	0.8
Total	**85.0**	88.7

(D) Share Options

Particulars of the share options of the Company and its subsidiary company granted to the Directors and senior executives of the Company and its subsidiary company at 31 December 2012 are set out below.

(a) Particulars of the Company's Share Option Scheme

	Share options held at 1 January 2012	Share options exercised during the year	Share options cancelled during the year	**Share options held at 31 December 2012**	Share option exercise price per share[i] (HK$)	Market price per share at the date of grant[i] (HK$)	Market price per share during the period of exercise[i] (HK$)	Grant date	Fully vested by	Exercisable from	Exercisable until
Executive Directors											
Manuel V. Pangilinan	31,831,556	(12,732,622)	–	**19,098,934**	5.0569	5.0569	8.25-8.91	5 September 2007	September 2012	September 2008	September 2017
Edward A. Tortorici	6,483,256	(6,483,256)	–	**–**	5.0569	5.0569	7.45-8.51	5 September 2007	September 2012	–	–
Robert C. Nicholson	5,000,000	(5,000,000)	–	**–**	1.6698	1.6698	8.72-9.02	1 June 2004	December 2008	–	–
	16,337,388	–	–	**16,337,388**	5.0569	5.0569	–	5 September 2007	September 2012	September 2008	September 2017
Non-Executive Directors											
Benny S. Santoso	2,993,431	–	–	**2,993,431**	1.6698	1.6698	–	1 June 2004	June 2005	June 2005	May 2014
	3,330,719	–	–	**3,330,719**	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Napoleon L. Nazareno	3,330,000	–	–	**3,330,000**	5.0569	4.61	–	11 December 2009	December 2010	December 2010	December 2019
Independent Non-Executive Directors											
Graham L. Pickles	3,330,719	–	–	**3,330,719**	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Prof. Edward K.Y. Chen,	412,394	–	–	**412,394**	1.6698	1.6698	–	1 June 2004	June 2005	June 2005	May 2014
GBS, CBE, JP	3,330,719	–	–	**3,330,719**	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Jun Tang	3,330,000	–	–	**3,330,000**	5.0569	4.61	–	11 December 2009	December 2011	December 2011	December 2019
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*[ii]	3,330,000	–	(3,330,000)	**–**	7.44	7.44	–	30 August 2011	August 2013	–	–
Senior Executives	8,982,843	(2,444,642)	–	**6,538,201**	1.6698	1.6698	7.47-9.10	1 June 2004	December 2008	June 2005	May 2014
	1,743,113	(1,000,000)	–	**743,113**	3.1072	3.0834	8.90-9.00	7 June 2006	December 2010	June 2007	June 2016
	42,500,938	(1,200,000)	–	**41,300,938**	5.0569	5.0569	8.87-9.13	5 September 2007	September 2012	September 2008	September 2017
	5,400,000	(660,000)	–	**4,740,000**	5.31	5.31	7.98-8.79	18 June 2010	June 2015	June 2012	June 2020
Total	141,667,076	(29,520,520)	(3,330,000)	**108,816,556**[iii]							

(i) Adjusted for the effect of the Company's rights issue completed in December 2009 for the prices prior to the trading of the Company's shares on an ex-rights basis on 29 October 2009

(ii) Dr. Christine K.W. Loh resigned from the Board of Directors of the Company with effect from 12 September 2012.

(iii) The number of outstanding options vested and exercisable at 31 December 2012 was 105,576,556.

	Share options held at 1 January 2011	Share options exercised during the year	Share options granted during the year	Share options held at 31 December 2011	Share option exercise price per share[i] (HK$)	Market price per share at the date of grant[i] (HK$)	Market price per share during the period of exercise[i] (HK$)	Grant date	Fully vested by	Exercisable from	Exercisable until
Executive Directors											
Manuel V. Pangilinan	31,831,556	–	–	31,831,556	5.0569	5.0569	–	5 September 2007	September 2012	September 2008	September 2017
Edward A. Tortorici	11,483,256	(5,000,000)	–	6,483,256	5.0569	5.0569	7.98	5 September 2007	September 2012	September 2008	September 2017
Robert C. Nicholson	10,000,000	(5,000,000)	–	5,000,000	1.6698	1.6698	8.01-8.43	1 June 2004	December 2008	June 2005	May 2014
	16,337,388	–	–	16,337,388	5.0569	5.0569	–	5 September 2007	September 2012	September 2008	September 2017
Non-Executive Directors											
Ambassador Albert F. del Rosario[ii]	3,330,719	(3,330,719)	–	–	5.0569	5.0569	6.82-7.13	5 September 2007	September 2008	–	–
Benny S. Santoso	2,993,431	–	–	2,993,431	1.6698	1.6698	–	1 June 2004	June 2005	June 2005	May 2014
	3,330,719	–	–	3,330,719	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Napoleon L. Nazareno	3,330,000	–	–	3,330,000	5.0569	4.61	–	11 December 2009	December 2010	December 2010	December 2019
Independent Non-Executive Directors											
Graham L. Pickles	3,330,719	–	–	3,330,719	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	1,412,394	(1,000,000)	–	412,394	1.6698	1.6698	8.33-8.43	1 June 2004	June 2005	June 2005	May 2014
	3,330,719	–	–	3,330,719	5.0569	5.0569	–	5 September 2007	September 2008	September 2008	September 2017
Sir David W. C. Tang, *KBE* [iii]	2,330,719	(2,330,719)	–	–	5.0569	5.0569	6.76-6.96	5 September 2007	September 2008	–	–
Jun Tang	3,330,000	–	–	3,330,000	5.0569	4.61	–	11 December 2009	December 2011	December 2011	December 2019
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*[iv]	–	–	3,330,000	3,330,000	7.44	7.44	–	30 August 2011	August 2013	August 2013	August 2021
Senior Executives	14,241,158	(5,258,315)	–	8,982,843	1.6698	1.6698	7.07-8.62	1 June 2004	December 2008	June 2005	May 2014
	2,743,113	(1,000,000)	–	1,743,113	3.1072	3.0834	7.65-8.62	7 June 2006	December 2010	June 2007	June 2016
	44,500,938	(2,000,000)	–	42,500,938	5.0569	5.0569	6.65-9.05	5 September 2007	September 2012	September 2008	September 2017
	5,400,000	–	–	5,400,000	5.31	5.31	–	18 June 2010	June 2015	June 2012	June 2020
Total	163,256,829	(24,919,753)	3,330,000	141,667,076[v]							

(i) Adjusted for the effect of the Company's rights issue completed in December 2009 for the prices prior to the trading of the Company's shares on an ex-rights basis on 29 October 2009

(ii) Ambassador Albert F. del Rosario resigned from the Board of Directors of the Company with effect from 25 March 2011.

(iii) Sir David W. C. Tang retired from the Board of Directors of the Company with effect from 1 June 2011.

(iv) Dr. Christine K.W. Loh was appointed as an Independent Non-Executive Director of the Company with effect from 1 June 2011 and resigned from the Board of Directors of the Company with effect from 12 September 2012.

(v) The number of outstanding options vested and exercisable at 31 December 2011 was 110,566,430.

At the AGM held on 24 May 2004, the Company's shareholders approved a share option scheme (the Scheme) under which the Directors may, at their discretion, at any time during the life of the Scheme, grant Directors and executives of the Company's share options as part of the Company's long-term incentive program. The Scheme, which complies with the provisions set out in Chapter 17 of the Listing Rules, became effective on 24 May 2004. The Scheme will be valid for 10 years and will expire on 23 May 2014.

The maximum number of shares on which options may be granted may not exceed 10% of the Company's issued share capital as at the date of approval of the Scheme by the shareholders. The maximum number of shares in respect of which options may be granted under the Scheme to any one participant in any 12-month period is limited to 1% of the aggregate number of shares of the Company in issue at the time of the proposed grant of options to such participant.

The exercise price in relation to each share option offer shall be determined by the Directors at their absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the SEHK on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the SEHK for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant. The terms of the Scheme provide that subject to any other restrictions on vesting imposed by the Directors, share options may be exercised under the Scheme at any time from the date of acceptance until the date of expiry. All options presently outstanding under the Scheme are subject to certain restrictions on exercise including a prohibition on exercise at any time during the period commencing one year after the date on which any option is accepted. Options which lapse or are cancelled prior to their expiry date are deleted from the register of options. No further share options will be granted pursuant to the Scheme before it expires or is terminated.

At the AGM held on 31 May 2012, the Company's shareholders approved a new share option scheme (the New Scheme) under which the Directors may, at their discretion, at any time during the life of the New Scheme, grant Directors and executives of the Company's share options as part of the Company's long-term incentive program. The New Scheme, which complies with the provisions set out in Chapter 17 of the Listing Rules, became effective on 31 May 2012. The New Scheme will be valid for 10 years and will expire on 30 May 2022.

The maximum number of shares on which options may be granted may not exceed 10% of the Company's issued share capital as at the date of approval of the New Scheme by the shareholders. The maximum number of shares in respect of which options may be granted under the New Scheme to any one participant in any 12-month period is limited to 1% of the aggregate number of shares of the Company in issue at the time of the proposed grant of options to such participant.

The exercise price in relation to each share option offer shall be determined by the Directors at their absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the SEHK on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the SEHK for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant. The terms of the New Scheme provide that subject to any other restrictions on vesting imposed by the Directors, share options may be exercised under the New Scheme at any time from the date of acceptance until the date of expiry. Any options granted under the New Scheme are subject to certain restrictions on exercise including a prohibition on exercise at any time during the period commencing one year after the date on which any option is accepted. Options which lapse or are cancelled prior to their expiry date are deleted from the register of options. No share options under the New Scheme have been granted up to 19 March 2013.

On 1 June 2004, 134,586,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, a Towers Watson company, based on the binomial model, was HK$0.849 per share or an aggregate value of US$14.6 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2009 rights issue)	HK$1.76 per share[(i)]
Exercise price (before adjusting for the effect of the Company's 2009 rights issue)	HK$1.76 per share[(i)]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	55%
Option life	10 years
Expected dividend yield	1% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	4.06% per annum

Taking into account the expected turnover rate of the Directors and senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 6.61 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 75% higher than the exercise price.

On 7 June 2006, 4,500,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, a Towers Watson company, based on the binomial model, was HK$1.554 per share or an aggregate value of US$0.9 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2009 rights issue)	HK$3.25 per share[(ii)]
Exercise price (before adjusting for the effect of the Company's 2009 rights issue)	HK$3.275 per share[(iii)]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	50%
Option life	10 years
Expected dividend yield	1% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	4.71% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 6.79 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 100% higher than the exercise price.

On 5 September 2007, 121,920,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, a Towers Watson company, based on the binomial model, was HK$2.596 per share or an aggregate value of US$40.6 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2009 rights issue)	HK$5.33 per share[(iv)]
Exercise price (before adjusting for the effect of the Company's 2009 rights issue)	HK$5.33 per share[(iv)]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	1% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	4.40% per annum

(i) HK$1.6698 after adjusting for the effect of the Company's rights issue in 2009
(ii) HK$3.0834 after adjusting for the effect of the Company's rights issue in 2009
(iii) HK$3.1072 after adjusting for the effect of the Company's rights issue in 2009
(iv) HK$5.0569 after adjusting for the effect of the Company's rights issue in 2009

Taking into account the expected turnover rate of the Directors and senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.6 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price.

On 11 December 2009, 6,660,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, a Towers Watson company, based on the binomial model, was HK$1.935 per share or an aggregate value of US$1.7 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$4.61 per share
Exercise price	HK$5.0569 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	2% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	2.20% per annum

Taking into account the expected turnover rate of the Directors and the early exercise behavior, the average expected life of the options granted was estimated to be around 8 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 250% higher than the exercise price.

On 18 June 2010, 5,400,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.28 per share or an aggregate value of US$1.6 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$5.31 per share
Exercise price	HK$5.31 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	2% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	2.3% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 8 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 250% higher than the exercise price.

On 30 August 2011, 3,330,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.63 per share or an aggregate value of US$1.1 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$7.44 per share
Exercise price	HK$7.44 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	40%
Option life	10 years
Expected dividend yield	2.3% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.3% per annum

Taking into account the expected turnover rate of the Directors and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.2 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 210% higher than the exercise price.

The binomial model, applied for determining the estimated values of the share options granted under the Scheme, was developed for use in estimating the fair value of the traded options that are fully transferable. Such an option pricing model requires input of highly subjective assumptions, including the expected share price volatility. As the Company's share options have characteristics significantly different from those of the traded options, changes in the subjective input assumptions can materially affect the estimated value of the options granted.

Details of the Group's accounting policy in respect of the share options granted are set out in Note 2(D)(t)(III) to the Consolidated Financial Statements.

(b) Particulars of MPIC's Share Option Scheme

	Share options held at 1 January 2012	Share options exercised during the year	**Share options held at 31 December 2012**	Share option exercise price per share (Peso)	Market price per share at the date of grant (Peso)	Market price per share during the period of exercise (Peso)	Grant date	Fully vested by	Exercisable from	Exercisable until
Executive Directors										
Robert C. Nicholson	10,000,000	–	**10,000,000**	2.73	2.65	–	2 July 2010	July 2013	January 2011	July 2015
Senior Executives	26,075,000	(11,075,000)	**15,000,000**	2.12	2.10	3.54-4.58	9 December 2008	January 2010	January 2009	January 2013
	29,000,000	(3,950,000)	**25,050,000**	2.73	2.65	4.17-4.50	10 March 2009	March 2010	March 2009	March 2013
	82,740,000	(5,255,000)	**77,485,000**	2.73	2.65	4.12-4.48	2 July 2010	July 2013	January 2011	July 2015
	10,000,000	–	**10,000,000**	3.50	3.47	–	21 December 2010	August 2013	August 2011	August 2015
	1,000,000	–	**1,000,000**	3.53	3.53	–	8 March 2011	March 2014	March 2012	March 2016
	3,000,000	(250,000)	**2,750,000**	3.66	3.66	4.22	14 April 2011	April 2013	April 2012	April 2016
Total	161,815,000	(20,530,000)	**141,285,000**(i)							

(i) The number of outstanding share options vested and exercisable at 31 December 2012 was 124,455,000.

	Share options held at 1 January 2011	Share options exercised during the year	Share options granted during the year	Share options held at 31 December 2011	Share option exercise price per share (Peso)	Market price per share at the date of grant (Peso)	Market price per share during the period of exercise (Peso)	Grant date	Fully vested by	Exercisable from	Exercisable until
Executive Directors											
Robert C. Nicholson	10,000,000	–	–	10,000,000	2.73	2.65	–	2 July 2010	July 2013	January 2011	July 2015
Senior Executives	26,075,000	–	–	26,075,000	2.12	2.10	–	9 December 2008	January 2010	January 2009	January 2013
	29,500,000	(500,000)	–	29,000,000	2.73	2.65	3.60	10 March 2009	March 2010	March 2009	March 2013
	84,300,000	(1,560,000)	–	82,740,000	2.73	2.65	3.20-3.60	2 July 2010	July 2013	January 2011	July 2015
	10,000,000	–	–	10,000,000	3.50	3.47	–	21 December 2010	August 2013	August 2011	August 2015
	–	–	1,000,000	1,000,000	3.53	3.53	–	8 March 2011	March 2014	March 2012	March 2016
	–	–	3,000,000	3,000,000	3.66	3.66	–	14 April 2011	April 2013	April 2012	April 2016
Total	159,875,000	(2,060,000)	4,000,000	161,815,000(i)							

(i) The number of outstanding share options vested and exercisable at 31 December 2011 was 97,305,000.

At the AGM held on 1 June 2007, the Company's shareholders approved a share option scheme under which MPIC's directors may, at their discretion, invite executives of MPIC upon the regularization of employment of eligible executives, to take up share options of MPIC to obtain an ownership interest in MPIC and for the purpose of long-term employment motivation. The scheme was subsequently approved by MPIC's shareholders and became effective on 14 June 2007 and would be valid for 10 years. At a special shareholders' meeting of MPIC held on 20 February 2009, MPIC's shareholders approved the amendments to MPIC's share option scheme which include (i) a refreshment of the number of MPIC options that may be granted to take into account of the increase in the capital stock of MPIC or other changes to its capital structure which have either been approved by the shareholders, implemented, in progress, or which may potentially be approved or implemented in the future; and (ii) the inclusion in MPIC's share option plan of a requirement for MPIC to comply with the relevant corporate requirements and regulations applicable to MPIC's parent company. The amendments and the maximum number of MPIC's share options of 941,676,681 (representing 10% of MPIC's shares in issue at the date of approval of the proposed refreshment) were subsequently approved by the Company's shareholders in the AGM held on 3 June 2009.

The maximum number of shares on which options may be granted under the scheme may not exceed 10% of the issued share capital of MPIC at 1 June 2007 (subsequently refreshed to a maximum number of 941,676,681 during 2009 as mentioned above), the date on which the MPIC's share option scheme was approved by the Company's shareholders on the AGM held on 1 June 2007. The aggregate number of shares which may be issued upon exercise of the options granted and to be granted to any eligible participant (whether or not already an option holder) in any 12-month period shall not exceed 1% of the shares in issue at the relevant time.

The exercise price in relation to each option granted under the scheme shall be determined by MPIC's directors at their absolute discretion, but in any event shall not be less than (i) the closing price of MPIC's shares for one or more board lots of such MPIC's shares on the PSE on the option grant date; (ii) the average closing price of MPIC's shares for one or more board lots of such MPIC's shares on the PSE for the five business days on which dealings in the MPIC's shares are made immediately preceding the option grant date; or (iii) the par value of the MPIC's shares, whichever is the highest.

On 9 December 2008, 61,000,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.37 per share or an aggregate value of Pesos 22.8 million (US$0.5 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 2.10 per share
Exercise price	Pesos 2.12 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	76%
Option life	4 years
Expected dividend yield	Nil
Average risk-free interest rate (based on the Philippine government zero coupon bond)	6.26% per annum

On 10 March 2009, 62,925,245 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.51 per share or an aggregate value of Pesos 31.8 million (US$0.7 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 2.65 per share
Exercise price	Pesos 2.73 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	64%
Option life	4 years
Expected dividend yield	Nil
Average risk-free interest rate (based on the Philippine government zero coupon bond)	4.53% per annum

On 2 July 2010, 94,300,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.78 per share or an aggregate value of Pesos 73.3 million (US$1.6 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 2.65 per share
Exercise price	Pesos 2.73 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	63%
Option life	5 years
Expected dividend yield	0.38%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	4.91% per annum

On 21 December 2010, 10,000,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 1.13 per share or an aggregate value of Pesos 11.2 million (US$0.2 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 3.47 per share
Exercise price	Pesos 3.50 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	63%
Option life	5 years
Expected dividend yield	0.29%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	2.73% per annum

On 8 March 2011, 1,000,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 1.19 per share or an aggregate value of Pesos 1.2 million (US$0.03 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 3.53 per share
Exercise price	Pesos 3.53 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	55%
Option life	5 years
Expected dividend yield	0.4%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	3.98% per annum

On 14 April 2011, 3,000,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.95 per share or an aggregate value of Pesos 2.8 million (US$0.1 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 3.66 per share
Exercise price	Pesos 3.66 per share
Expected volatility (based on historical volatility of the MPIC's shares commensurate with the average expected life of the options granted)	50%
Option life	5 years
Expected dividend yield	0.4%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	2.94% per annum

The Black-Scholes-Merton formula, applied for determining the estimated values of the share options granted under MPIC's scheme, requires input of higher subjective assumptions, including the expected stock price volatility. Changes in the subjective input assumptions can materially affect the estimated value of the options granted.

Details of the Group's accounting policy in respect of the share options granted are set out in Note 2D(t)(III) to the Consolidated Financial Statements.

(E) Share Award Scheme

On 19 March 2013, the Board has resolved to adopt a share award scheme (the Share Award Scheme). Employees and Directors of the Group are eligible to participate. Under the Share Award Scheme, the Board can select grantees of awards and determine the number of the Company's shares (Shares) to be awarded. An independent trustee (the Trustee) will, at the direction of the Board (and depending on the form of the award made), either subscribe for new Shares to be issued by the Company at the relevant benchmarked price as stipulated in the Listing Rules or purchase existing Shares on the SEHK, in each case, at the cost of the Company. The Trustee will hold the Shares on trust for the grantees of awards, until the Shares become vested (awards will generally be made subject to a vesting schedule requiring the grantee to remain an employee of the Group until and on each of the vesting dates – the Board may also impose other conditions to vesting as it considers appropriate). Vested Shares will be transferred to the grantees at no cost. Directors of the Group are not eligible to be granted awards of new Shares to be subscribed by the Trustee and issued by the Company, but are eligible to be granted awards of existing shares to be purchased by the Trustee.

The Share Award Scheme does not constitute a share option scheme for the purposes of Chapter 17 of the Listing Rules. The Share Award Scheme will form part of the Company's long-term incentive plan and operate alongside (albeit independently from) the existing share option scheme. Incentive awards may be granted under the Share Award Scheme alone or under the existing share option scheme alone, or under both the Share Award Scheme and the existing share option scheme in tandem.

The last phase of the long-term incentive plan for the employees and Directors of the Group was fully concluded in September 2012. The Share Award Scheme is part of a new phase of the long-term incentive plan. It is proposed that the initial cycle of awards (which will vest over 4.5 to 5 years) involving purchase of existing Shares on the SEHK under the Share Award Scheme will be fully funded on a one-off basis by applying up to 50% of the US$36.0 million funding allocated for share repurchases (based on 10% of recurring profit for the year ended 31 December 2012). Those Shares purchased and held by the Trustee will not be cancelled. The Share Award Scheme will not impact the future share repurchases program of the Company. It is proposed that the initial cycle of awards (which will vest over 4.5 to 5 years) involving subscription of new Shares to be issued by the Company under the Share Award Scheme would represent approximately 0.1% of the issued share capital of the Company.

35. Related Party Transactions

Significant related party transactions entered into by the Group during the year are disclosed as follows:

(A) Asia Link B.V. (ALBV), a wholly-owned subsidiary company of the Company, has a technical assistance agreement with Smart Communications, Inc. (Smart), a wholly-owned subsidiary company of PLDT, for ALBV to provide Smart with technical support services and assistance in the operations and maintenance of cellular mobile telecommunications services for a period of four years from 23 February 2008, subject to renewal upon mutual agreement between the parties. The agreement expired on 23 February 2012 and was renewed for a period of four years to 23 February 2016. The agreement provides for payments of technical service fees equivalent to 0.5% (2011: 1%) of the consolidated net revenue of Smart.

The fees under the above arrangement amounted to Pesos 332 million (US$7.9 million) for the year ended 31 December 2012 (2011: Pesos 581 million or US$13.4 million). At 31 December 2012, the outstanding technical service fee payable amounted to Pesos 252 million (US$6.1 million) (2011: Pesos 234 million or US$5.4 million).

(B) In October 2012, the Company agreed to provide Philex an aggregate facility of up to US$200 million over the following 12 months by installment, principally for financing Philex's capital expenditures of its Silangan project and Padcal mine, and for general working capital purposes. In November 2012, the Company, through an indirect wholly-owned subsidiary company, entered into a Pesos 2.1 billion (US$51.2 million) loan agreement with Philex. The loans made under this loan agreement are unsecured, with an interest rate at 5% per annum and 1% of facility fee on the total amount, and are repayable within one year. Philex has drawn down Pesos 1.1 billion (US$26.8 million) of loan under this loan agreement in November 2012, which remained outstanding at 31 December 2012.

(C) At 31 December 2012, Mr. Robert C. Nicholson, a Director of the Company, owned US$400,000 (2011: US$400,000) of bonds due 2017 issued by FPMH Finance Limited, US$200,000 (2011: US$200,000) of bonds due 2020 issued by FPT Finance Limited and US$600,000 (2011: Nil) of bonds due 2019 issued by FPC Finance Limited, all of which are wholly-owned subsidiary companies of the Company. For the year ended 31 December 2012, Mr. Nicholson received interest income of US$60,250 (2011: US$42,250) on these bonds.

(D) At 31 December 2012, Mr. Edward A. Tortorici, a Director of the Company, owned US$600,000 (2011: Nil) of bonds due 2019 issued by FPC Finance Limited, a wholly-owned subsidiary company of the Company. For the year ended 31 December 2012, Mr. Tortorici received interest income of US$18,000 (2011: Nil) on these bonds.

(E) In the ordinary course of business, Indofood has engaged in trade transactions with certain of its associated companies, joint ventures and affiliated companies under certain framework agreements which are related to the Salim Family either through its control or joint control. Mr. Anthoni Salim is the Chairman and a substantial shareholder of the Company and is the President Director and Chief Executive Officer of Indofood.

All significant transactions with related parties, whether or not conducted under normal terms and conditions similar to those with non-related parties, are disclosed as follows:

Nature of Transactions

For the year ended 31 December US$ millions	Consolidated **2012**	 2011
Income Statement Items		
Sales of finished goods		
– to associated companies and joint ventures	**69.6**	60.3
– to affiliated companies	**93.8**	88.4
Purchases of raw materials		
– from associated companies and joint ventures	**103.5**	94.2
– from affiliated companies	**35.5**	33.4
Management and technical services fee income and royalty income		
– from associated companies and joint ventures	**2.4**	2.1
– from affiliated companies	**14.8**	14.5
Insurance expenses		
– to affiliated companies	**4.5**	3.9
Rental expenses		
– to affiliated companies	**1.6**	1.4
Transportation and pump services expenses		
– to affiliated companies	**0.5**	0.6

Approximately 3% (2011: 3%) of Indofood's sales and 4% (2011: 3%) of its purchases were transacted with these related parties.

Nature of Balances

At 31 December US$ millions	Consolidated **2012**	 2011
Statement of Financial Position Items		
Accounts receivable – trade		
– from associated companies and joint ventures	**5.4**	4.7
– from affiliated companies	**19.1**	23.4
Accounts receivable – non-trade		
– from associated companies and joint ventures	**2.3**	3.2
– from affiliated companies	**19.4**	13.1
Accounts payable – trade		
– to associated companies and joint ventures	**12.0**	9.8
– to affiliated companies	**3.4**	2.9
Accounts payable – non-trade		
– to associated companies and joint ventures	**0.4**	–
– to affiliated companies	**35.4**	32.9

Certain of the above Indofood's related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(F) For the year ended 31 December 2012, MPIC's subsidiary company, Maynilad, entered into certain construction contracts with DMCI Holdings Inc. (DMCI) (a 44.6% shareholder of DMCI-MPIC Water Company, Inc. (DMWC), Maynilad's parent company during 2012) for the latter's construction of water infrastructure for Maynilad. On 23 March 2009, Maynilad formally entered into (i) a framework agreement with D.M. Consunji, Inc. (Consunji), a subsidiary company of DMCI, in relation to the provision of engineering, procurement and construction services by Consunji to Maynilad for the period from 23 March 2009 to 31 December 2011 and (ii) a lease agreement with DMCI Project Developers, Inc. (DMCIPD), a subsidiary company of DMCI, for the renting of certain premises in the Makati City by DMCIPD to Maynilad for the period from 1 February 2009 to 31 January 2012. On 20 January 2012, Maynilad renewed (i) the framework agreement with Consunji for the period from 20 January 2012 to 31 December 2014 on substantially the same terms as the previous framework agreement and (ii) the lease agreement with DMCIPD for the period from 1 February 2012 to 31 January 2015. These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

All significant transactions with DMCI group, whether or not conducted under normal terms and conditions similar to those with non-related parties, are disclosed as follows:

Nature of Transactions

	Consolidated	
For the year ended 31 December US$ millions	**2012**	2011
Capital Expenditure Items		
Construction services for water infrastructure	**26.1**	24.8
Income Statement Items		
Rental expenses	**0.1**	0.1

Nature of Balances

	Consolidated	
At 31 December US$ millions	**2012**	2011
Statement of Financial Position Items		
Accounts payable – trade	**2.7**	17.4

In January 2009, DMWC extended non-interest bearing cash advances to DMCI amounting to US$5.6 million. At 31 December 2012, there was no (2011: US$5.4 million) outstanding receivable.

(G) For the year ended 31 December 2012, MPIC's subsidiary company, MNTC, collected toll fees through TMC, an associated company of MPIC.

All significant transactions with TMC, whether or not conducted under normal terms and conditions similar to those with non-related parties, are disclosed as follows:

Nature of Transactions

	Consolidated	
For the year ended 31 December US$ millions	**2012**	2011
Income Statement Items		
Operator's fees	**35.5**	36.2
Management income	**1.4**	2.0
Guarantee income	**0.6**	0.5
Interest income	**0.3**	0.3

Nature of Balances

At 31 December US$ millions	Consolidated **2012**	 2011
Statement of Financial Position Items		
Accounts receivable – trade	**4.3**	3.7
Accounts payable – trade	**7.9**	6.7

(H) For the year ended 31 December 2012, MPIC and its subsidiary companies were charged for electricity expenses by Meralco, an associated company of a Group's joint venture.

All significant transactions with Meralco, whether or not conducted under normal terms and conditions similar to those with non-related parties, are disclosed as follows:

Nature of Transactions

For the year ended 31 December US$ millions	Consolidated **2012**	 2011
Income Statement Items		
Electricity expenses	**22.4**	14.8

Nature of Balances

At 31 December US$ millions	Consolidated **2012**	 2011
Statement of Financial Position Items		
Accounts receivable – trade	**0.1**	–
Accounts payable – trade	**1.7**	2.8

(I) For the year ended 31 December 2012, MPIC received dividend income on preferred shares from Beacon Electric, a joint venture of the Group. In March 2010, MPIC subscribed Pesos 8.0 billion (US$195.1 million) for Beacon Electric's preferred shares and extended non-interest bearing cash advances to Beacon Electric of Pesos 756 million (US$18.4 million). In June 2012, MPIC acquired approximately Pesos 3.6 billion (US$86.8 million) of Beacon Electric's preferred shares.

All significant transactions with Beacon Electric, whether or not conducted under normal terms and conditions similar to those with non-related parties, are disclosed as follows:

Nature of Transactions

For the year ended 31 December US$ millions	Consolidated **2012**	 2011
Income Statement Items		
Preferred share dividend income	**13.3**	6.5

Nature of Balances

At 31 December US$ millions	Consolidated **2012**	 2011
Statement of Financial Position Items		
Associated companies and joint ventures		
– Preferred shares, at cost	**281.9**	182.7
– Amounts due from associated companies and joint ventures	**18.4**	17.3

(J) For the year ended 31 December 2012, MPIC and its subsidiary companies have following transactions with PLDT, an associated company of the Group.

All significant transactions with PLDT, whether or not conducted under normal terms and conditions similar to those with non-related parties, are disclosed as follows:

Nature of Transactions

For the year ended 31 December US$ millions	Consolidated **2012**	 2011
Income Statement Items		
Voice and data service expenses	**1.7**	1.2
Income from advertising	**0.9**	0.7
Rental expenses	**0.2**	0.2
Income from utility facilities	**0.1**	0.1

Nature of Balances

At 31 December US$ millions	Consolidated **2012**	 2011
Statement of Financial Position Items		
Accounts receivable – trade	**1.2**	0.3
Accounts payable – trade	**3.9**	3.6

(K) At 31 December 2012, MPIC has outstanding accounts receivable from PMHI of US$2.9 million (2011: US$2.5 million) in relation to certain cash advances made.

(L) In December 2012, PT Indofood CBP Sukses Makmur (ICBP), a subsidiary company of Indofood, entered into a conditional sales and purchase agreement with PT Asahi Indofood Beverage Makmur (AIBM), an associated company of Indofood, for the sale of a parcel of land for a total consideration of Rupiah 42 billion (US$4.5 million). Up to 31 December 2012, AIBM had paid deposits of Rupiah 4 billion (US$0.4 million) to ICBP in connection with this transaction.

36. Financial Instruments by Category and Fair Value Hierarchy

(A) Financial Instruments by Category

(a) Financial Assets

	Consolidated						Company	
	2012			2011			2012	2011
US$ millions	Loans and receivables	Available-for-sale financial assets	Total	Loans and receivables	Available-for-sale financial assets	Total	Loans and receivables	Loans and receivables
Accounts and other receivables (Non-current)	190.6	–	190.6	32.5	–	32.5	–	–
Available-for-sale assets (Non-current)	–	41.9	41.9	–	33.1	33.1	–	–
Pledged deposits	11.1	–	11.1	11.1	–	11.1	–	–
Other non-current assets	56.1	–	56.1	60.3	–	60.3	–	–
Cash and cash equivalents	2,175.0	–	2,175.0	1,875.4	–	1,875.4	558.6	85.4
Restricted cash	33.1	–	33.1	43.7	–	43.7	–	–
Available-for-sale assets (Current)	–	58.7	58.7	–	63.4	63.4	–	–
Accounts and other receivables (Current)	564.1	–	564.1	560.0	–	560.0	–	–
Amounts due from subsidiary companies	–	–	–	–	–	–	2,494.9	2,465.0
Total	3,030.0	100.6	3,130.6	2,583.0	96.5	2,679.5	3,053.5	2,550.4

(b) Financial Liabilities

The following table summarizes the financial liabilities measured at amortized cost at the end of the reporting period.

	Consolidated		Company	
US$ millions	2012	2011	2012	2011
Accounts payable, other payables and accruals	984.4	796.5	–	–
Short-term borrowings	926.5	1,119.3	–	–
Current portion of deferred liabilities and provisions	16.8	18.2	–	–
Long-term borrowings	3,438.5	2,575.7	–	–
Deferred liabilities and provisions	195.5	207.1	–	–
Amounts due to subsidiary companies	–	–	742.0	928.1
Other payables and accruals	–	–	3.7	1.1
Loans from subsidiary companies	–	–	1,643.3	1,003.0
Total	5,561.7	4,716.8	2,389.0	1,932.2

At 31 December 2012, there were no (2011: US$6.9 million) derivative liabilities measured at fair value included in deferred liabilities and provisions.

(I) Hedge effectiveness of cash flow hedges and hedges of net investments in foreign operations

The interest rate swap in respect of the agreement entered into by MNTC in March 2011 and designated as a cash flow hedge was considered unable to meet the hedge effectiveness criterion in HKAS 39 in June 2011 and, hence, was no longer designated as a cash flow hedge since then. The interest rate swap was early terminated in December 2012.

The ineffective portion of changes in fair value of hedges of net investments in foreign operations is immaterial.

(II) The movements of the Group's unrealized gains/(losses) on cash flow hedges in relation to its derivative financial instruments included in deferred liabilities and provisions during the year are as follows:

US$ millions	Consolidated 2012	2011
At 1 January	**(3.5)**	(8.6)
Changes in fair value of cash flow hedges and hedges of net investments in foreign operations	**(0.5)**	(3.8)
Transferred to consolidated income statement[(i)]	**3.4**	8.9
Subtotal	**(0.6)**	(3.5)
Attributable to taxation and non-controlling interests	**0.6**	0.7
At 31 December	**–**	(2.8)

(i) In 2012, the amounts transferred to the consolidated income statement represent US$1.5 million (2011: US$4.9 million) included in finance costs and US$1.9 million (2011: US$4.0 million) included in other operating income, net.

Analysis of Unrealized Gains/(Losses) on Cash Flow Hedges, Net of Tax

At 31 December US$ millions	Consolidated 2012	2011
Subsidiary companies	**–**	(2.8)
Share of associated companies and joint ventures	**3.3**	8.7
Total	**3.3**	5.9

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents, pledged deposits, restricted cash, accounts and other receivables, accounts payable, other payables and accruals, short-term borrowings and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.
- Non-current accounts and other receivables are evaluated based on the discounted values of future cash flows using the interest rates that are specific to the tenor of the instruments' cash flows.
- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.
- Fair value of unquoted available-for-sale financial assets are carried at cost less any accumulated impairment losses.
- Long-term borrowings with fixed interest rates and other non-current financial liabilities are evaluated based on the discounted value of future cash flows using the prevailing market rates for similar types of liabilities. Long-term borrowings with variable interest rates approximate to their carrying amounts because of regular repricing based on market conditions.

- Derivative liabilities in respect of derivative financial instruments, such as interest rate swaps and foreign exchange forward contracts, are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations of future cash flows. The models incorporate various inputs including the foreign exchange spot and forward rates and interest rate curves.

(B) Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly

- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair values are not based on observable market data (unobservable inputs)

The Group held the following financial instruments measured at fair value as at the end of the year:

	Consolidated							
	2012				2011			
US$ millions	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Available-for-sale assets								
– Listed equity investments	**57.8**	**–**	**–**	**57.8**	63.3	–	–	63.3
– Listed debentures	**15.6**	**–**	**–**	**15.6**	13.4	–	–	13.4
– Unlisted investments	**–**	**5.2**	**22.0**	**27.2**	–	4.8	15.0	19.8
Derivative assets[(i)]	**–**	**6.3**	**–**	**6.3**	–	–	–	–
Derivative liabilities[(ii)]	**–**	**–**	**–**	**–**	–	(6.9)	–	(6.9)
Net Amount	**73.4**	**11.5**	**22.0**	**106.9**	76.7	(2.1)	15.0	89.6

(i) Included within accounts receivable, other receivables and prepayments
(ii) Included within deferred liabilities and provisions

The movements in unlisted available-for-sale assets during the year in the balance of Level 3 fair value measurements are as follows:

	Consolidated	
US$ millions	**2012**	2011
At 1 January	**15.0**	10.8
Exchange translation	**0.7**	(0.1)
Additions	**6.3**	0.3
Other movements	**–**	4.0
At 31 December	**22.0**	15.0

During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements (2011: Nil).

37. Capital and Financial Risk Management

(A) Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to ensure that it maintains an optimal capital structure for supporting the stability and growth of its business and maximizing shareholders' value.

The Group manages its capital structure, and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group's policy is to keep the gearing ratio at an optimal level which supports its business. The Group's net debt includes short-term borrowings and long-term borrowings, less cash and cash equivalents and pledged deposits and restricted cash. The total equity includes equity attributable to owners of the parent and non-controlling interests.

	Consolidated	
US$ millions	**2012**	2011
Short-term borrowings	**926.5**	1,119.3
Long-term borrowings	**3,438.5**	2,575.7
Less: Cash and cash equivalents	**(2,175.0)**	(1,875.4)
Less: Pledged deposits and restricted cash	**(44.2)**	(54.8)
Net debt	**2,145.8**	1,764.8
Equity attributable to owners of the parent	**3,233.3**	3,022.7
Non-controlling interests	**4,010.7**	3,856.5
Total equity	**7,244.0**	6,879.2
Gearing ratio (times)	**0.30**	0.26

(B) Financial Risk Management

The Group's principal financial instruments include the various financial assets (which comprise accounts receivable, other receivables, available-for-sale assets, cash and cash equivalents, pledged deposits and restricted cash) and financial liabilities (which comprise accounts payable, other payables and accruals, short-term borrowings, long-term borrowings and deferred liabilities and provisions). The main purpose of the cash and cash equivalents, and short-term and long-term borrowings is to finance the Group's operations and investments. The other financial assets and liabilities, such as accounts receivable and accounts payable, mainly arise directly from its operations.

The Group also issues fixed interest rate bonds, arranges borrowings in local currencies and enters into derivative transactions, including principally foreign exchange contracts and interest rate swaps. The purpose is to manage the currency and interest rate risks arising from the Group's sources of finance and its operations and investments.

It is, and has been, throughout the year, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are market risk (including currency risk and price risk), credit risk, liquidity risk and fair value and cash flow interest rate risks. The Company's Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below. The Group's accounting policies in relation to derivatives are set out in Note 2(D)(w) to the Consolidated Financial Statements.

(a) Market Risk

(I) Currency Risk

To manage the Group's foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, and to improve investment and cash flow planning, in addition to natural hedges, the Group enters into and engages in foreign exchange contracts for the purpose of managing its foreign exchange rate exposures emanating from business, transaction specific, as well as currency translation risks and reducing and/or managing the adverse impact of changes in foreign exchange rates on the Group's operating results and cash flows. However, some of the aforementioned derivative instruments of the Group do not qualify as effective hedges and therefore are not designated as cash flow hedges for accounting purposes in accordance with the provisions of HKAS 39.

The following table summarizes (i) the Group's exposure at the end of the reporting period to currency risk arising from recognized financial assets and liabilities denominated in U.S. dollars, which is a currency different from the functional currencies of the peso and the rupiah used by the Group's subsidiary companies in the Philippines and Indonesia and (ii) the Company's exposure at the end of the reporting period to currency risk arising from recognized financial assets and liabilities denominated in the peso, which is a currency different from the functional currency of U.S. dollars used by the Company.

	Consolidated		**Company**	
US$ millions	**2012**	2011	**2012**	2011
Account receivables and other receivables	**61.4**	68.7	**–**	–
Cash and cash equivalents	**359.3**	257.6	**45.8**	0.6
Amounts due from subsidiary companies	**–**	–	**1,400.5**	1,327.4
Short-term borrowings and long-term borrowings	**(589.3)**	(496.0)	**–**	–
Accounts payable, other payables and accruals	**(58.6)**	(49.5)	**(0.1)**	–
Amounts due to subsidiary companies	**–**	–	**(0.2)**	(0.2)
Net Amount	**(227.2)**	(219.2)	**1,446.0**	1,327.8

The following table demonstrates the sensitivity arising from the Group's and the Company's financial assets and liabilities as listed above to a reasonably possible change in the exchange rates of the peso and rupiah, with all other variables held constant, of the Group's and the Company's profit attributable to owners of the parent and retained earnings (due mainly to foreign exchange gains/losses on translation of (i) the U.S. dollar denominated financial assets and liabilities for the Group and (ii) the peso denominated financial assets and liabilities of the Company). There is no significant impact on the other components of the Group's and the Company's equity.

	Consolidated				**Company**			
	2012		2011		**2012**		2011	
US$ millions	**Appreciation/ (depreciation) against the U.S. dollar (%)**	**Increase/ (decrease) in profit attributable to owners of the parent and retained earnings**	Appreciation against the U.S. dollar (%)	Increase in profit attributable to owners of the parent and retained earnings	**Appreciation/ (depreciation) against the U.S. dollar (%)**	**Increase in profit attributable to owners of the parent and retained earnings**	Appreciation against the U.S. dollar (%)	Increase in profit attributable to owners of the parent and retained earnings
Peso	**0.1**	**0.1**	2.0	1.0	**0.1**	**1.4**	2.0	26.6
Rupiah	**(0.3)**	**(0.2)**	3.0	1.1	**(0.3)**	**–**	3.0	–

(II) Price Risk

The Group's price risk principally relates to the changes in the market value of its equity investments. In addition, the Group is also exposed to commodity price risk due to certain factors, such as weather, government policy, the level of demand and supply in the market and the global economic environment. Such exposure mainly arises from its purchase of CPO where the profit margin on sale of its finished products may be affected if the cost of CPO (which is the main raw material used in the refinery plants to manufacture cooking oils and fats products) increases and the Group is unable to pass such cost increases to its customers. Furthermore, the Group is also subject to fluctuations in the selling price of its manufactured CNO and the purchase price of copra (being the raw material used in the manufacture of CNO).

The Group has future commodity contracts with several foreign entities, the purpose of which is primarily to hedge its exposures on risks of losses arising from the fluctuations in the prices of the commodities that are produced and traded by the Group.

The Group's policy is to minimize the risks of its raw material costs arising from the fluctuations in the commodity prices by increasing self-sufficiency in the supply of CPO for the refinery operations (through the purchase of CPO from the Group's own plantations). To the extent it is unable to do so, the Group may minimize such risks through forward contracts. As such, it may also be exposed to commodity price risk as changes in fair value of future commodity contracts are recognized directly in the consolidated income statement.

The following table demonstrates the sensitivity arising from the Group's financial assets and liabilities at the end of the reporting period to a reasonable possible change in commodity prices, with all other variables held constant, of the Group's profit attributable to owners of the parent and retained earnings (mainly as a result of higher or lower quoted market prices of the open position future commodity contracts).

	Consolidated			
	2012		2011	
US$ millions	**Increase/ (decrease) (%)**	**Increase/ (decrease) in profit attributable to owners of the parent and retained earnings**	Increase/ (decrease) (%)	Increase/ (decrease) in profit attributable to owners of the parent and retained earnings
Commodity prices	**10**	**(0.1)**	10	(0.1)
	(10)	**0.1**	(10)	0.1

(b) Credit Risk

For the consumer food products business, the Group has credit risk arising from the credit given to the customers, but it has policies in place to ensure that wholesales of products are made to creditworthy customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any particular customer, such as requiring sub-distributors to provide bank guarantees. For the water distribution business, the Group allows 14 days of credit to its customers. For the toll road business, the Group collects its toll fees through its associated company, TMC, by cash, by prepaid and reloadable electronic toll collection devices and by credit card payment. For the hospital business, the Group ensures that receivables are entered into with customers who have the ability to pay. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

The credit risk of the Group's other financial assets, which include other receivables, certain investments in debt securities classified as available-for-sale assets, cash and cash equivalents, pledged deposits and restricted cash, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments and the unrealized losses, if any, on available-for-sale assets charged directly to the Group's equity. The Group is also exposed to credit risk through the granting of financial guarantees. Further details of which are set out in Note 32 (C)(a) to the Consolidated Financial Statements.

The Group has no significant concentrations of credit risk.

(c) Liquidity Risk

The Group manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans, debt capital and equity capital issues.

The maturity profile of the Group's and Company's financial liabilities based on the contractual undiscounted payments, including future interest payments, and contingent liabilities in terms of guarantees given at 31 December 2012, is as follows:

	Accounts payable, other payables and accruals		Borrowings		Deferred liabilities and provisions		Guarantees for plantation farmers' loan facilities		**Consolidated Total**	
US$ millions	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Not exceeding one year	**984.4**	796.5	**1,092.2**	1,331.2	**46.4**	56.1	**7.7**	5.8	**2,130.7**	2,189.6
More than one year but not exceeding two years	**–**	–	**710.0**	321.0	**32.3**	29.2	**9.4**	7.4	**751.7**	357.6
More than two years but not exceeding five years	**–**	–	**2,035.5**	1,513.7	**86.8**	78.6	**40.1**	37.0	**2,162.4**	1,629.3
More than five years	**–**	–	**1,581.6**	1,569.5	**348.4**	289.5	**42.6**	34.9	**1,972.6**	1,893.9
Total	**984.4**	796.5	**5,419.3**	4,735.4	**513.9**	453.4	**99.8**	85.1	**7,017.4**	6,070.4

	Amounts due to subsidiary companies		Loans from subsidiary companies		Other payables and accruals		Guarantees for subsidiary companies' loan facilities		**Company Total**	
US$ millions	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Not exceeding one year	**742.8**	931.9	**82.4**	54.3	**3.4**	1.1	**–**	3.7	**828.6**	991.0
More than one year but not exceeding two years	**–**	–	**174.5**	54.3	**–**	–	**1.4**	–	**175.9**	54.3
More than two years but not exceeding five years	**–**	–	**971.7**	489.0	**–**	–	**22.8**	7.9	**994.5**	496.9
More than five years	**–**	–	**894.4**	773.0	**–**	–	**5.0**	10.3	**899.4**	783.3
Total	**742.8**	931.9	**2,123.0**	1,370.6	**3.4**	1.1	**29.2**	21.9	**2,898.4**	2,325.5

(d) Fair Value and Cash Flow Interest Rate Risks

The Group's interest rate risk arises from interest-bearing borrowings, cash and cash equivalents, pledged deposits and restricted cash. Borrowings and cash and cash equivalents with variable interest rate terms expose the Group to cash flow interest rate risk. Borrowings and cash and cash equivalents with fixed interest rate terms expose the Group to fair value interest rate risk. At 31 December 2012, 53.0% (2011: 53.8%) of the Group's borrowings were effectively at fixed rates.

The following table demonstrates the sensitivity arising from the Group's and the Company's financial assets and liabilities at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit attributable to owners of the parent and retained earnings (through the impact on variable rate borrowings, cash and cash equivalents, receivables and payables). There is no significant impact on the other components of the Group's and the Company's equity.

	Consolidated				**Company**			
	2012		2011		**2012**		2011	
US$ millions	**Increase (Basis points)**	**(Decrease)/ increase in profit attributable to owners of the parent and retained earnings**	Increase/ (decrease) (Basis points)	(Decrease)/ increase in profit attributable to owners of the parent and retained earnings	**Increase (Basis points)**	**Decrease in profit attributable to owners of the parent and retained earnings**	Increase/ (decrease) (Basis points)	Decrease in profit attributable to owners of the parent and retained earnings
Interest rates for								
– U. S. dollar	**25**	**(0.5)**	25	(1.4)	**25**	**(0.2)**	25	(1.2)
– Rupiah	**100**	**0.9**	(50)	(0.8)	**100**	**–**	(50)	–
– Peso	**50**	**(1.2)**	(25)	0.4	**50**	**–**	(25)	–

38. Events after Reporting Period

(A) On 27 December 2012, MPIC and its subsidiary company, MPTC, entered into a Pesos 6.8 billion (US$160.9 million) financing and cooperation agreement with CHI. Pursuant to the agreement, CHI issued a convertible note to MPTC, which entitles MPTC to convert it in the future to (i) new non-voting redeemable convertible preferred shares of CHI or (ii) subject to securing certain approvals and conditions, common shares of Cavitex Infrastructure Corporation (CIC). CIC was a wholly-owned subsidiary company of CHI which holds a concession for the operations and maintenance of the Manila-Cavite Toll Expressway (Cavitex), which is a 14 kilometer long toll road built in two segments running from Cavite to Laguna. The concession for Cavitex extends to 2033 for the originally built road and to 2046 for a subsequent extension. In addition, MPTC would be entitled to solely direct manage the operations of CIC, receive the benefits of all its assets and to be responsible for its liabilities with effect from 2 January 2013. As a result of this, MPTC acquired control of CIC and started to consolidate CIC's financial results and financial position with effect from 2 January 2013.

US$ millions	Provisional fair value recognized on acquisition[(i)] MPTC's acquisition of CIC	Carrying amount immediately before the acquisition
Consideration		
Cash and cash equivalents	**165.0**	
Total	**165.0**	
Net Assets		
Property, plant and equipment	**0.2**	**0.2**
Other intangible assets	**210.4**	**187.5**
Accounts receivable, other receivables and prepayments (Non-current)	**4.4**	**4.4**
Available-for-sale assets (Non-current)	**153.4**	**153.4**
Deferred tax assets	**5.6**	**4.3**
Other non-current assets	**19.6**	**2.4**
Cash and cash equivalents	**11.9**	**11.9**
Accounts receivable, other receivables and prepayments (Current)	**8.3**	**8.3**
Accounts payable, other payables and accruals	**(15.7)**	**(15.7)**
Current portion of deferred liabilities and provisions	**(5.1)**	**(5.1)**
Long-term borrowings	**(316.0)**	**(298.2)**
Deferred liabilities and provisions	**(28.5)**	**(1.7)**
Total Net Assets Acquired	**48.5**	**51.7**
Goodwill	**116.5**[(i)]	

(i) Provisional amounts determined based on the management's best estimates of the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed, and subject to revision upon their further assessment

The goodwill arising from MPTC's acquisition of CIC pertains, but is not limited to, the expected synergy arising from the acquisition.

(B) In January 2013, IFAR Brazil Participações Ltda. (IndoAgri Brazil), a 59.7%-owned indirect subsidiary company of Indofood incorporated in Brazil, entered into certain definitive agreements to acquire a 50% economic interest in Companhia Mineira de Açúcar e Álcool Participações (CMAA) for a total consideration of Brazilian Real 143.4 million (US$71.7 million). CMAA principally engages in the cultivation and processing of sugar cane for the production and marketing of sugar and ethanol, as well as cogeneration of electric power from sugar cane bagasse. The transaction is expected to be completed during the second quarter of 2013.

(C) In January 2013, MPIC effectively issued 1.33 billion of new MPIC common shares to certain investors through a share placement for a total consideration of Pesos 6.1 billion (approximately US$150.7 million). As a result of this transaction, the interest of Metro Pacific Holdings, Inc., a Philippine affiliate of the Company, in MPIC reduced from 59.0% to 55.9%. The Group is expected to record a net credit amount of approximately US$30 million in the "Differences arising from changes in equities of subsidiary companies" account within the Group's equity in respect of this transaction.

(D) On 13 February 2013, Marubeni Corporation-Nippon Koei Co. Ltd. of Japan acquired a 20% effective interest in Maynilad. As a result of this transaction, MPIC's effective interest in Maynilad reduced from 56.8% to 52.8%. The Group is expected to record a net credit amount of approximately US$30 million in the "Differences arising from changes in equities of subsidiary companies" account within the Group's equity in respect of this transaction.

(E) In February 2013, Indofood acquired in aggregate a 29.3% interest in China Minzhong Food Corporation Limited (CMFC) for a total consideration of Singapore dollar (S$) 195.2 million (US$159.6 million). CMFC is a leading integrated vegetable processor in China with cultivation, processing and sales capabilities. CMFC offers a diversified and complementary product portfolio, which includes processed vegetables and fresh vegetables produce for domestic and export markets. The Group will account for its investments in CMFC using the equity method.

(F) As a result of an accidental discharge of water and tailings from one of the two underground tunnels that drain water from its tailings pond No. 3 of the Padcal mine on 1 August 2012, Philex suspended its Padcal mine's operations to conduct a remediation and rehabilitation of its tailings pond No. 3 since August 2012. In connection with this accident, Philex has paid in February 2013 Pesos 1.0 billion (approximately US$25 million) of tailings fee charged by the Mines and Geosciences Bureau (MGB) of the Philippine government. Philex has substantially recovered the payment of this fee through a receipt of US$25 million (approximately Pesos 1.0 billion) from an insurance claim in February 2013. Following the payment of this fee, MGB issued an order granting Philex the authority to resume operations to undertake urgent remediation measures for its tailings pond No. 3, subject to the conditions that the resumption of operations shall not exceed four months, and that an independent third party chosen jointly with the MGB shall be commissioned to undertake a monitoring and audit of the remediation measures undertaken by Philex. The temporary resumption of the operations of Padcal mine commenced on 8 March 2013.

(G) On 4 March 2013, FPM Power Holdings Limited (FPM Power) (a 60%-owned subsidiary company of the Company, with the remaining 40% interest held by Meralco PowerGen Corporation (Meralco PowerGen), a wholly-owned subsidiary company of Meralco) entered into a sale and purchase agreement with GMR Infrastructure Limited and GMR Infrastructure (Singapore) Pte Limited (the sellers) to purchase (a) a 70% equity interest in GMR Energy (Singapore) Pte Ltd. (GMRE) and (b) in aggregate approximately US$157 million of shareholders' loans due from GMRE and/or its subsidiary company to the sellers for a consideration of S$600 million (approximately US$488 million). In addition, FPM Power shall assume all equity contribution obligations of the sellers under a sponsor support agreement (to be entered after the completion of the sale and purchase agreement) arising on or after the date of completion of the sales and purchase agreement, including the obligation to provide equity contributions of approximately S$60 million (approximately US$49 million) by the end of December 2013. Besides, under the said sponsor support agreement, FPM Power is also subject to contingent equity contribution obligations of up to approximately US$152 million. The Company and Meralco PowerGen guarantee 60% and 40%, respectively, of the contingent equity contribution obligations of FPM Power under the sales and purchase agreement on a several basis. GMRE is a company established for the construction, operation and maintenance of a two-unit natural gas fueled power plant in Singapore. The consideration and obligation to provide the equity contributions will be financed from internal resources of the Company and Meralco PowerGen on a 60:40 basis. The transaction is expected to be completed by 31 March 2013.

Following the completion of this transaction, the Group will consolidate GMRE's financial results and financial position. The financial effects of the consolidation of GMRE are estimated as follows.

US$ millions	Provisional fair value recognized on acquisition[(i)] FPM Power's acquisition of GMRE	Carrying amount immediately before the acquisition
Consideration		
Cash and cash equivalents	**487.8**	
Total	**487.8**	
Net Assets		
Property, plant and equipment	**730.9**	**730.9**
Deferred tax assets	**0.1**	**0.1**
Cash and cash equivalents	**28.1**	**28.1**
Accounts receivable, other receivables and prepayments (Current)	**4.6**	**4.6**
Accounts payable, other payables and accruals	**(5.1)**	**(5.1)**
Provision for taxation	**(0.2)**	**(0.2)**
Current portion of deferred liabilities and provisions	**(10.6)**	**(10.6)**
Long-term borrowings	**(421.5)**	**(421.5)**
Deferred liabilities and provisions	**(73.4)**	**(73.4)**
Total Net Assets	**252.9**	**252.9**
Non-controlling interests	**(75.9)**	
Total Net Assets Acquired	**177.0**	
Goodwill	**310.8**[(i)]	

(i) Provisional amounts determined based on the book values of identifiable assets and liabilities of GMRE at 31 December 2012, and subject to an assessment of the fair values of GMRE's identified assets acquired, liabilities and contingent liabilities assumed upon the completion of the proposed acquisition

The goodwill arising from FPM Power's acquisition of GMRE pertains, but is not limited to, the expected synergy arising from the acquisition.

39. Comparative Amounts

As explained in Note 2(B), due to a change in the Group's accounting policy for pension obligations during the current year, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation and accounting treatment.

40. Approval of the Consolidated Financial Statements

The audited Consolidated Financial Statements of the Company were approved and authorized for issue by the Board of Directors on 19 March 2013.

Summary of Principal Investments

As at 31 December 2012

Philippine Long Distance Telephone Company

PLDT (PSE: TEL; NYSE: PHI) is the leading telecommunications service provider in the Philippines. Its shares are listed on the Philippine Stock Exchange and its Amercian Depositary Receipts are listed on the New York Stock Exchange. It has one of the largest market capitalizations among Philippine listed companies. Through its three principal business groups, PLDT offers a wide range of telecommunications services: Wireless (principally through subsidiary companies, Smart Communications, Inc. and Digital Telecommunications Philippines, Inc. ("Digitel")); fixed Line (principally through PLDT); and business process outsourcing (through SPi Global Holdings, Inc.). PLDT has developed the Philippines' most extensive fiber optic backbone, and cellular and fixed line networks.

Sector	:	Telecommunications
Place of incorporation/business area	:	The Philippines
Outstanding number of shares	:	216.1 million
Particulars of outstanding shares held	:	Common shares of Pesos 5 par value
Economic/voting interest	:	25.6%/15.1%

Further information on PLDT can be found at www.pldt.com

Metro Pacific Investments Corporation

MPIC (PSE: MPI; ADR code: MPCIY) is a Philippine-listed investment management and holding company focused on infrastructure development.

Sector	:	Infrastructure, Utilities and Hospitals
Place of incorporation/business area	:	The Philippines
Issued number of shares	:	24.6 billion
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic/voting interest	:	59.0%/65.9%

Further information on MPIC can be found at www.mpic.com.ph

PT Indofood Sukses Makmur Tbk

Indofood (IDX: INDF) is a leading Total Food Solutions company with operations in all stages of food manufacturing from the production of raw materials and their processing through to consumer products and distribution to wholesalers/retailers. It is based and listed in Jakarta; its Consumer Branded Products subsidiary PT Indofood CBP Sukses Makmur Tbk ("ICBP") and agribusiness subsidiaries PT Salim Ivomas Pratama Tbk ("SIMP") and PT PP London Sumatra Indonesia Tbk ("Lonsum") are also listed in Jakarta. Another agribusiness subsidiary, Indofood Agri Resources Ltd. ("IndoAgri"), is listed in Singapore. Through its four complementary strategic business groups, Indofood manufactures and distributes a wide range of food products: Consumer Branded Products (noodles, dairy, snack foods, food seasonings and nutrition and special foods), Bogasari (flour and pasta), Agribusiness (oil palm, rubber, sugar cane, cocoa and tea plantations, cooking oils, and margarine and shortening) and Distribution.

Indofood is one of the world's largest wheat flour instant noodle manufacturers by volume, one of the largest plantation companies by area and the largest flour miller in Indonesia. Indofood also has an extensive distribution network.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	Indonesia
Issued number of shares	:	8.8 billion
Particulars of issued shares held	:	Shares of Rupiah 100 par value
Economic and voting interests	:	50.1%

Further information on Indofood can be found at www.indofood.com

Philex Mining Corporation*

Philex (PSE: PX) is a Philippine-listed company engaged in exploration and mining of mineral resources and, through a listed subsidiary Philex Petroleum Corporation, in oil and gas exploration.

Sector	:	Natural Resources
Place of incorporation/business area	:	The Philippines
Issued number of shares	:	4.9 billion
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic and voting interests	:	31.2%

* Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds an additional 15.0% economic and voting interests in Philex.

Further information on Philex can be found at www.philexmining.com.ph