FIRST PACIFIC

First Pacific Company Limited

Stock Code: 00142

Annual Report 2012

Creating Long-term Value in Asia

Corporate Profile

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

Within these sectors, our **mission** is to unlock value in our investee companies to deliver three goals:

- Dividend returns to shareholders;
- Share price appreciation of First Pacific and the investee companies; and
- Further investment in our businesses.

Our **investment criteria** are clear:

- Investments must fit into our areas of expertise and experience (telecommunications, infrastructure, consumer food products and natural resources);
- Investee companies must have a strong or dominant market position in their sectors;
- They must possess the potential for significant cash flows; and
- We must obtain management control or significant influence to ensure our goals can be met.

Our **strategies** is three-fold:

- Identify undervalued or underperforming assets with strong growth potential and possible synergies;
- Manage investments by setting strategic direction, developing business plans and defining targets; and
- Raise governance levels to world-class standards at the investee companies.

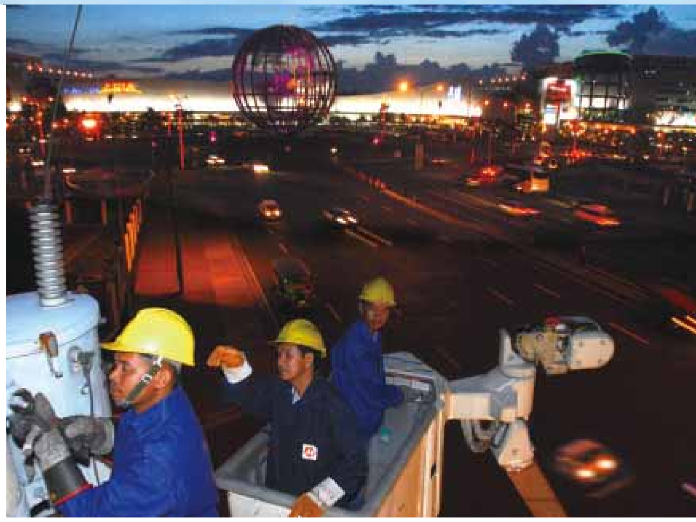
As currently constituted, the First Pacific portfolio has a balance of more mature assets in PLDT and Indofood which deliver strong dividend flows and investments for growth in MPIC and Philex. PLDT is the dominant telecommunications provider in the Philippines and Indofood is the largest vertically integrated food company in Indonesia. MPIC is the Philippines' largest infrastructure management and holding company with investments in the Philippines' largest electricity distributor, toll road firm, water distributor and healthcare provider, and Philex is the largest mining company in the Philippines which mainly produces gold and copper.

Listed in Hong Kong, First Pacific's shares are also available for trading in the United States through American Depositary Receipts.

As at 19 March 2013, First Pacific's economic interest in PLDT is 25.6%, in MPIC 55.9%, in Indofood 50.1%, in Philex* 31.2% and in FPM Power 60.0%.

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

First Pacific's principal investments are summarized on the inside back cover.



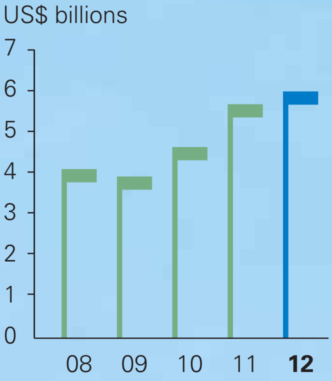
Contents

Financial Highlights

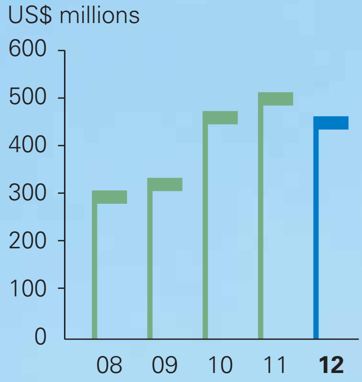
The 2012 recurring profit was the third-highest recorded in First Pacific's history

- Turnover up 5.4% to US$5,990.8 million
- Contribution from operations down 9.5% to US$463.1 million
- Recurring profit down 14.8% to US$360.3 million
- Reported net profit down 39.2% to US$348.8 million
- Head Office dividend and fee income from operating companies down 0.3% to US$320.9 million
- Dividend payout in cash terms down 5.8% to US$103.4 million
- Dividend payout of 29% of recurring profit reiterates commitment to 25% minimum

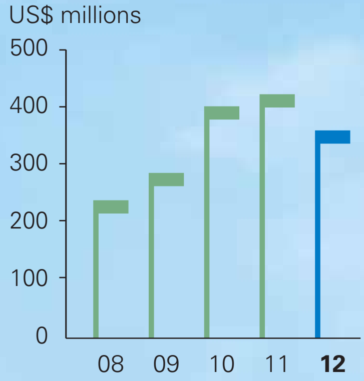
Turnover



Contribution from Operations

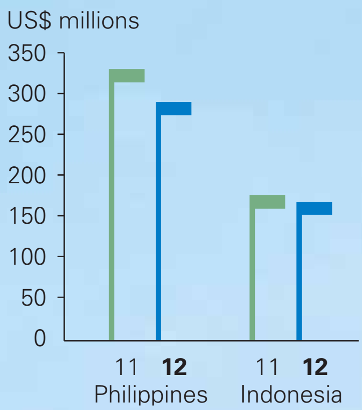


Recurring Profit

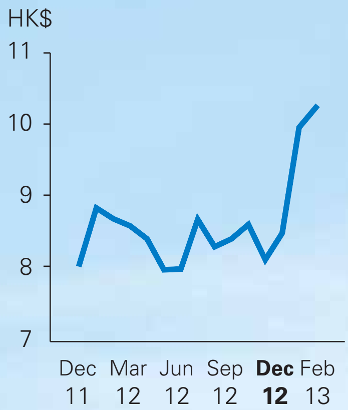


Profit Attributable to Owners of the Parent

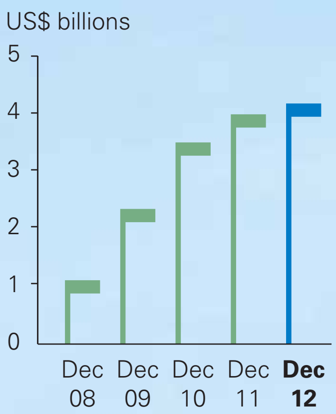
Contribution by Country



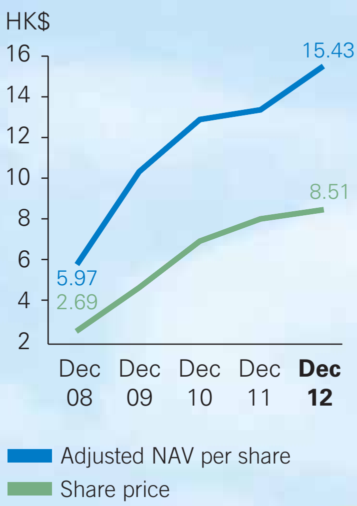
Share Price Performance



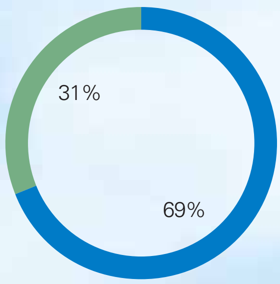
Market Capitalization



Share Price vs Adjusted NAV Per Share



Adjusted NAV by Country 31 December 2012



	US$ millions
Philippines	6,019.9
Indonesia	2,659.5
Total	**8,679.4**

Ten-year Statistical Summary

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Results (US$ millions)										
Turnover	**5,990.8**	5,684.1	4,640.2	3,925.6	4,105.3	3,040.8	2,474.8	1,986.1	2,054.6	2,161.8
Profit for the year	**830.2**	1,097.4	785.3	680.6	326.8	673.5	233.6	138.3	150.3	137.0
Profit attributable to owners of the parent	**348.8**	574.0	403.0	410.9	202.2	496.6	176.6	102.6	107.2	77.6
Contribution from operations	**463.1**	511.8	474.0	335.2	304.4	244.8	173.5	142.1	125.8	113.7
Recurring profit	**360.3**	423.0	402.1	286.6	239.2	186.7	134.2	103.5	99.6	91.9
Ordinary share dividends	**103.4**	109.8	99.4	56.1	37.0	41.1	22.4	12.3	–	–
Per Ordinary Share Data (U.S. cents)										
Basic earnings	**9.09**	14.81	10.39	11.98	5.95	14.67	5.25	3.05	3.19	2.31
Basic recurring earnings	**9.39**	10.92	10.36	8.36	7.04	5.52	3.99	3.08	2.97	2.74
Dividends	**2.70**	2.85	2.55	1.54	1.15	1.28	0.70	0.39	–	–
Equity attributable to owners of the parent	**84.47**	78.50	65.99	49.64	35.17	35.09	18.18	12.00	7.14	1.60
Total assets	**362.63**	327.55	279.68	243.43	224.03	161.94	89.97	73.60	68.07	69.48
Net tangible assets	**281.27**	251.57	208.51	178.58	155.13	151.17	88.89	72.58	66.92	68.90
Net cash inflows from operating activities	**25.43**	16.58	21.13	1.72	4.86	3.86	3.78	2.69	3.74	5.34
Financial Ratios										
Gross margin (%)	**31.08**	31.21	35.50	30.20	24.41	23.68	23.63	23.27	25.15	24.52
Recurring return on average net assets (%)	**11.86**	15.01	16.11	15.20	18.88	18.96	20.90	21.13	28.87	31.50
Recurring return on average equity attributable to owners of the parent (%)	**11.52**	15.11	17.91	18.82	21.16	21.79	27.80	33.92	71.53	723.62
Dividend payout ratio (%)	**28.70**	25.96	24.72	19.57	15.47	22.01	16.69	11.88	–	–
Dividend cover (times)	**3.48**	3.85	4.05	5.11	6.46	4.54	5.99	8.41	–	–
Interest cover (times)	**6.31**	7.18	5.02	3.67	4.76	3.89	3.35	2.64	2.75	2.61
Current ratio (times)	**1.78**	1.57	1.85	1.37	0.87	0.94	1.21	1.45	1.42	1.71
Gearing ratio (times)										
– Consolidated	**0.30**	0.26	0.33	0.67	1.06	0.68	0.83	1.12	1.45	2.12
– Company	**0.67**	0.71	0.46	0.36	0.47	0.35	0.16	0.11	0.10	0.12

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Consolidated Statement of Financial Position Data (US$ millions)										
Capital expenditure	**701.6**	561.7	513.7	389.8	300.5	106.3	46.3	56.6	105.1	72.6
Total assets	**13,880.0**	12,611.8	10,914.1	9,397.3	7,199.0	5,221.1	2,883.5	2,347.1	2,168.7	2,213.5
Net debt	**2,145.8**	1,764.8	1,847.0	2,719.5	2,520.8	1,443.8	857.2	788.5	854.3	907.7
Total liabilities	**6,636.0**	5,732.6	5,302.0	5,358.2	4,823.8	3,098.1	1,850.7	1,640.4	1,577.6	1,785.7
Net current assets/(liabilities)	**1,613.9**	1,193.0	1,278.4	594.3	(264.7)	(86.9)	175.0	292.8	251.9	443.6
Total assets less current liabilities	**11,810.4**	10,508.8	9,409.3	7,797.0	5,123.3	3,665.1	2,034.8	1,697.0	1,571.2	1,589.4
Equity attributable to owners of the parent	**3,233.3**	3,022.7	2,575.2	1,916.2	1,130.1	1,131.3	582.7	382.8	227.4	51.1
Total equity	**7,244.0**	6,879.2	5,612.1	4,039.1	2,375.2	2,123.0	1,032.8	706.7	591.1	427.8
Other Information (at 31 December)										
Company's net debt (US$ millions)[i]	**1,133.8**	1,170.3	816.9	651.7	731.3	532.4	237.9	152.6	103.3	96.9
Number of shares in issue (millions)	**3,827.6**	3,850.4	3,902.4	3,860.3	3,213.4	3,224.1	3,204.8	3,188.8	3,186.0	3,186.0
Weighted average number of shares in issue during the year (millions)	**3,836.4**	3,874.6	3,880.4	3,428.5	3,397.7	3,384.9	3,365.5	3,358.9	3,358.1	3,358.1
Share price (HK$)										
– After rights issue	**8.510**	8.080	7.000	4.740	2.552	5.740	3.833	2.846	1.969	1.603
– Before rights issue	**N/A**	N/A	N/A	N/A	2.690	6.050	4.040	3.000	2.075	1.690
Adjusted NAV per share (HK$)										
– After rights issue	**15.43**	13.38	12.91	10.37	5.66	10.87	6.48	3.96	2.96	2.49
– Before rights issue	**N/A**	N/A	N/A	N/A	5.97	11.46	6.83	4.17	3.12	2.62
Share price discount to adjusted NAV per share (%)	**44.8**	39.6	45.8	54.3	54.9	47.2	40.8	28.1	33.3	35.5
Market capitalization (US$ millions)	**4,176.0**	3,988.6	3,502.2	2,345.9	1,108.2	2,500.7	1,659.9	1,226.5	847.6	690.3
Dividend yield (%)	**2.48**	2.75	2.84	2.39	3.34	1.64	1.35	1.00	–	–
Number of shareholders	**4,606**	4,503	4,608	6,202	4,983	4,736	4,989	5,167	5,321	5,452
Number of employees	**80,941**	73,582	70,525	68,416	66,452	62,395	50,087	46,693	49,165	46,951

N/A: Not applicable

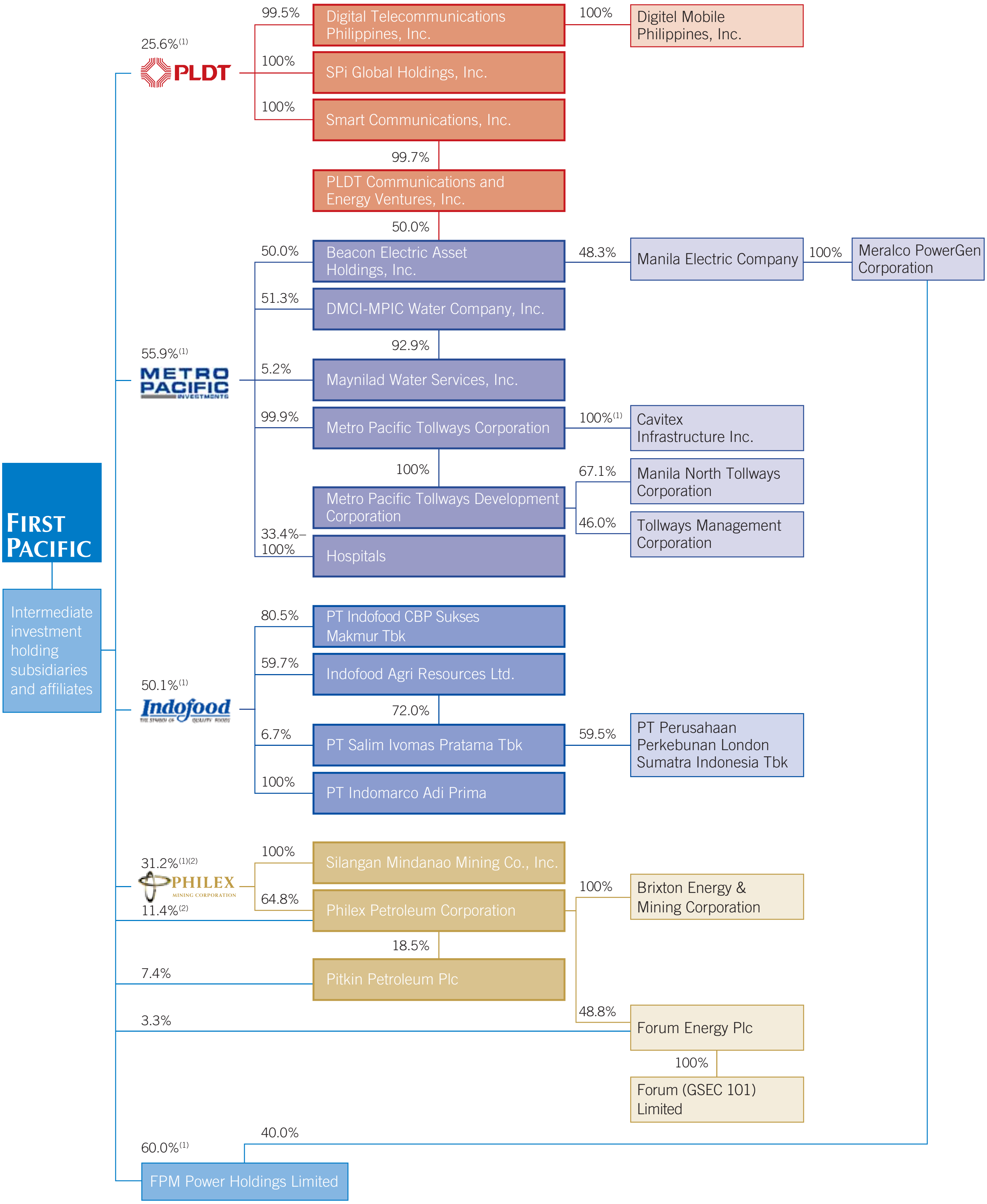
(i) Includes the net debt of certain wholly-owned financing and holding companies

See pages 183 and 185 for a glossary of terms

Note: In 2012, the Group has changed its accounting policy for the treatment of actuarial gains/losses arising in defined benefit pension plans. Details regarding the change is provided in Note 2(B) to the Consolidated Financial Statements. Accordingly, the comparative amounts of (i) profit for the year, (ii) profit attributable to owners of the parent, (iii) contribution from operations, (iv) recurring profit, (v) basic earnings per share, (vi) basic recurring earnings per share, (vii) recurring return on average net assets, (viii) recurring return on average equity attributable to owners of the parent, (ix) dividend payout ratio, (x) dividend cover and (xi) interest cover for 2003 to 2011 have been restated to reflect such a change. In December 2009, the Company completed a rights issue, offering its shareholders one rights share for every five existing shares held at a subscription price of HK$3.40 per rights share. Accordingly, the comparative amounts of (i) basic earnings per share, (ii) basic recurring earnings per share, (iii) weighted average number of shares in issue during the year, (iv) share price (after rights issue) and (v) adjusted NAV per share (after rights issue) for 2003 to 2008 have been restated to reflect the effect of this rights issue in order to provide a more meaningful comparison.

Corporate Structure

As at 19 March 2013



(1) Economic interest

(2) In addition, Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds an additional 15.0% economic interest and 5.4% economic interest in Philex and Philex Petroleum, respectively.

Goals

Review of 2012 Goals

Goal	Achievement
Continue to explore investment opportunities in existing core businesses areas across the region	**Achieved and ongoing** First Pacific continues to search in Asian economies for potential investment opportunities meeting our investment criteria with a particular focus on infrastructure and natural resources. Proceeds from US$400 million of unsecured seven-year bonds issued in June 2012 provide the financial resources for this purpose. In March 2013, First Pacific announced its investment in GMR Energy (Singapore) Pte Ltd. ("GMRE"), a Singapore natural gas-fired power plant scheduled to come online in December 2013.
Fortify PLDT's position of market leadership in telecommunications, integrate Digitel, and consolidate networks to position PLDT for a return to earnings growth in 2013	**Achieved** Leading market position retained as PLDT group's combined cellular subscriber base grew 10% to more than 69.9 million subscribers while the broadband subscriber base increased by 11% to more than 3.3 million at the end of December 2012 from the end of 2011.
Invest in a new infrastructure project in the Philippines via MPIC	**Ongoing** MPIC continues to evaluate potential investments in infrastructure projects across the Philippines, including participation in the Philippine Government's Public-Private Partnership initiatives. On 24 April 2012, MPIC formed a 50-50 joint venture with Ayala Corporation to pursue and develop light rail projects in the greater Metro Manila. On 22 February 2013, MPIC announced its partnership with JG Summit Inc. to bid for the Cebu-Mactan Airport redevelopment and expansion project. MPIC continues to seek further infrastructure projects across the Philippines.
Grow MPIC's toll road network by building roads and/or by investing in other toll road assets	**Achieved and ongoing** MPTC expanded its toll road portfolio to the South of Metro Manila by investing Pesos 6.8 billion (US$160.9 million) in Manila-Cavitex Toll Expressway ("CAVITEX"), a 14-kilometer toll road. Construction of Segment 9, a key part of the Harbour Link project to connect the North Luzon Expressway to the port area of Manila, is underway and is expected to open in 2014, with Segment 10 following in 2015. Following the Philippine Government's approval of the implementation of two elevated expressways to connect the northern and southern toll road systems, a Swiss Challenge to MPTC's Connector Road project is expected within 2013. It is expected that Citra Metro Manila Tollways Corporation will share 62.5% of the construction and operations and maintenance costs of the common alignment and MPTC will share the remaining 37.5%. Management is continuing the search for other investment opportunities.
Reverse the decline in EBIT margin at Indofood	**Ongoing** The EBIT margin declined to 13.7% in 2012 from 15.1% in 2011 largely as a result of lower selling prices for crude palm oil ("CPO") and a drive to increase sales in the noodle business outweighed margin improvement in the Dairy, Snack Foods, Food Seasonings, Bogasari, Edible Oils & Fats and Distribution divisions. The development and introduction of higher-margin products, in particular in the Consumer Branded Products business, remains a focus within all businesses.
Grow the plantation business so that Indofood becomes a net seller of CPO	**Ongoing** Plantation area expanded to 268,725 hectares as at 31 December 2012, up over 5% from 254,989 hectares at the end of 2011. Acquired a further 73,000 ha of industrial forest plantations in East Kalimantan in March 2013.
Expand sources of production at Philex from just one mine, Padcal, to others, through organic growth and/or via acquisition	**Deferred** The suspension of the operations of the Padcal mine from August 2012 has resulted in significant redeployment of resources and finance during 2012, all work on major acquisitions was discontinued.

Goals for 2013

- Bring GMRE online in December 2013 to bring it to a position to contribute to Group earnings and cash flow in 2014
- Continue to explore investment opportunities in existing core businesses areas across the region
- Expand sources of production at Philex from just one mine, Padcal, to others, through organic growth and/or via acquisition
- Continue to develop the infrastructure portfolio

Review of 2012 Goals

Goal	Achievement
Complete the integration of Digitel into the PLDT Group to produce savings in areas such as capital expenditure and marketing/ distribution operating expenditures while improving yields	**Mostly achieved** 250 sites now co-located and another 252 under site sharing out of the 1,000 cell sites identified for co-location or consolidation, as well as the implementation of national roaming on the Smart network to increase Digitel's 2G and 3G geographic coverage without any significant additional capital expenditure. Consolidation of PLDT/Digitel outside plant facilities completed. Digitel call centers requirements were transferred to SPi Global. Over 1,200 employees of Digitel's fixed line business participated in the Voluntary Retirement Program resulting in streamlined operations. Management engaged in implementing the integration of technical operations for additional improved services and lower costs.
Maintain double-digit growth in broadband subscribers and revenues	**Achieved** PLDT group broadband subscribers up 11% to 3.3 million from 2.9 million at year-end 2011. Revenue growth of 26% to Pesos 23.7 billion (US$563.2 million), accounting for 13% of total service revenues.
Complete the two-year network modernization program	**Achieved** The two-year program was completed ahead of schedule with a total capital expenditure of Pesos 67.6 billion (US$1.6 billion), of which Pesos 31.2 billion (US$721.6 million) was spent in 2011 and Pesos 36.4 billion (US$865.0 million) in 2012. 3G population coverage of 71% achieved at year-end 2012. Fiber assets now totaling over 54,000 kilometers, and 14,000 kilometers of fiber-to-the home rolled out, fiber and IP-readiness for close to 100% of Metro Manila sites, completion of an additional international cable landing station bringing the total to four and doubled internet gateway capacity.

Goals for 2013

- Maintain double-digit growth in broadband subscribers and revenues
- Return to earnings growth in 2013
- Fortify network advantage with capital expenditure of Pesos 29 billion
- Continue initiatives for the further integration of Digitel/Sun into the PLDT group to realize greater operating synergies
- Complete the divestment of SPi BPO business

METRO PACIFIC INVESTMENTS

Review of 2012 Goals

Goal	Achievement
Continue to grow the hospital network through the acquisition of hospitals across the country	**Achieved and ongoing** Following completion of a tender offer in April 2012, MPIC's stake in Asian Hospital, Inc. was raised to 85.6% from 51.9% as at the end of 2011. In December 2012, MPIC announced the acquisition of a 51% interest in De Los Santos Medical Center ("DLSMC") in Quezon City, with the completion of this transaction expected in the first half of 2013. MPIC's hospital group has approximately 1,800 beds (excluding DLSMC), making MPIC's hospital business the largest private hospital network in the Philippines.
Continue to expand the toll road portfolio at MPTC by targeting acquisitions and new road-building in heavily trafficked areas	**Achieved and ongoing** MPTC expanded its toll road portfolio to the South of Metro Manila by investing Pesos 6.8 billion (US$160.9 million) in CAVITEX, a 14-kilometer toll road. Construction of "Segment 9," a key part of the Harbour Link project to connect the North Luzon Expressway to the port area of Manila, is underway and is expected to open in 2014, with Segment 10 following in 2015. Following the Philippine Government's approval of the implementation of two elevated expressways to connect the northern and southern toll road systems, a Swiss Challenge to MPTC's Connector Road project is expected within 2013. Additionally, management is looking to participate in the public bids for the Ninoy Aquino International Airport ("NAIA") Expressway II and Cavite-Laguna ("CALA") Expressway. Both of these Public Private Partnership ("PPP") projects are connected to CAVITEX and present synergistic benefits to our existing network. MPTC is also continuing talks with the Philippine Government for its proposal to acquire the concession for the Subic Clark Tarlac Expressway ("SCTEX"). Finally, management is continuing to search for other investment opportunities.
Participate in further development of the country's infrastructure, such as airports or Manila's light rail system	**Ongoing** MPIC is partnering with Ayala Corporation to bid for the expansion of the Light Rail Transit 1 ("LRT1") project. On 22 February 2013, MPIC announced its partnership with JG Summit Inc. to bid for the Cebu-Mactan Airport redevelopment and expansion project.

Goals for 2013

- Participate in further development of the country's infrastructure, such as airports or Manila's light rail systems
- Continue to grow the hospital network through the acquisition of hospitals across the Philippines
- Continuous expansion of the toll road portfolio
- Successful resolution of rate rebasing at Maynilad and continue expansion of water business in areas outside Metro Manila
- Support Meralco's entry into power generation and participation in Open Access as a retail electricity supplier

Review of 2012 Goals

Goal	Achievement
Increase investments in advertising and promotion and strengthen marketing capabilities	**Achieved** Advertising and promotion spending increased 31% to further enhance brand equity, as well as increase bonding with consumers through an integrated marketing strategy. During 2012, Indofood strengthened its organizational structure and enhance its marketing capabilities by adding new talents to the marketing team.
Accelerate new products innovation and growth	**Achieved and ongoing** A total of 21 new products were launched in 2012. Indofood CBP Sukses Makmur Tbk (“ICBP”) formed joint venture companies with Asahi Group Holdings Southeast Asia Pte Ltd. (“Asahi”) in August 2012 to enter into non-alcoholic beverages market, signed a memorandum of understanding with Tsukishima Foods Industry Co., Ltd (“Tsukishima”) in November 2012 to enter into value added oils and fats products market, and made a new investment in China Minzhong Food Corporation Limited (“CMFC”), an integrated processed vegetable company, in February 2013, to build a platform that will empower Indofood to accelerate growth in coming years.
Increase plantation area for main crop	**Achieved and ongoing** Plantation area expanded over 5% to 268,725 hectares at year end 2012 as a result of new planting for oil palm of 13,383 hectares and replanting of 941 hectares.

Goals for 2013

- Accelerate growth by increasing new products innovation and expanding business categories
- Further enhance supply chain
- Further improve services

PHILEX
MINING CORPORATION

Review of 2012 Goals

The suspension of the operations of the Padcal mine from August 2012 has resulted in significant redeployment of resources and finance during 2012.

Goal	Achievement
Move forward on development of the Silangan Project	**Ongoing** Declaration of Mining Project Feasibility ("DMPF") covering one of the three ore bodies was filed with the Philippine Mines and Geosciences Bureau ("MGB"), on schedule, in February 2013. Exploration work continues.
Continue exploring opportunities to acquire new mining operations	**Deferred** Following the cessation of the Padcal mining operations from August 2012, all work on major acquisitions was discontinued.

Goals for 2013

- Resumption of operations at the Padcal mine
- Continue to progress the development of the Silangan Project
- Fulfill exploration commitments under the Kalayaan joint venture with Manila Mining Corporation
- Continue to enhance the public's perception of the benefits of mining to the Philippines
- Complete a capital raising exercise to enhance Philex financial position

Review of Operations

FIRST PACIFIC

Reported net profit fell 39% to US$348.8 million from US$574.0 million in 2011. The largest component of the decline was non-recurring losses of US$13.2 million recorded during the year compared with non-recurring gains of US$152.9 million in 2011, principally reflecting a lower amount of gain on dilution of First Pacific's interest in PLDT recorded in 2012. The non-recurring losses in 2012 mainly related to PLDT's impairment provisions of US$17.6 million for Digital Telecommunications Philippines, Inc. ("Digitel")'s cell sites and Philex's provisions of US$9.9 million for fees and penalties in respect of an uncontrolled discharge of water and tailings from its tailings pond No. 3, partly offset by the Group's gain of US$14.5 million 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. It also reflected a 10% fall in the contribution from PLDT to US$193.1 million from US$215.0 million owing to a difficult competitive environment, followed by a 72% decline in contribution from Philex to US$13.8 million from US$50.1 million stemming from a suspension of operations at the Padcal mine from 1 August 2012 following a breach in its tailings pond. The contribution from Indofood declined 5% to US$170.1 million from US$178.5 million as a 7% decline in the average rupiah exchange rate offset its record-high earnings in local currency terms. MPIC reported a 26% increase in its contribution to US$86.1 million from US$68.2 million a year earlier.

With three of the Group's four major operating businesses reporting weaker results in U.S. dollar terms, overall contribution from operations fell 10% to US$463.1 million in 2012 from a record high of US$511.8 million in 2011.

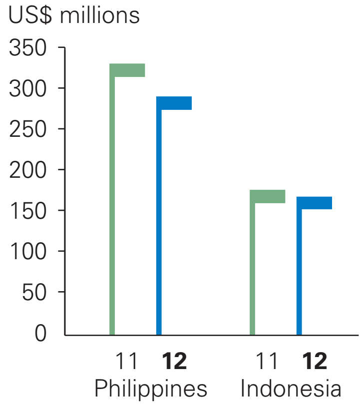
Below is an analysis of results by individual company.

Contribution Summary

	Turnover		Contribution to Group profit[i]	
For the year ended 31 December US$ millions	**2012**	2011	**2012**	2011 (Restated)[ii]
PLDT[iii]	**–**	–	**193.1**	215.0
MPIC	**660.8**	510.4	**86.1**	68.2
Indofood	**5,330.0**	5,173.7	**170.1**	178.5
Philex[iii]	**–**	–	**13.8**	50.1
Contribution from Operations[iv]	**5,990.8**	5,684.1	**463.1**	511.8
Head Office items:				
– Corporate overhead			**(23.7)**	(22.1)
– Net interest expense			**(77.7)**	(64.2)
– Other expenses			**(1.4)**	(2.5)
Recurring Profit[v]			**360.3**	423.0
Foreign exchange and derivative gains/(losses)[vi]			**1.8**	(7.1)
(Loss)/gain on changes in fair value of plantations			**(0.1)**	5.2
Non-recurring items[vii]			**(13.2)**	152.9
Profit Attributable to Owners of the Parent			**348.8**	574.0

(i) After taxation and non-controlling interests, where appropriate
(ii) The Group has restated its 2011 non-recurring gains from US$179.8 million to US$152.9 million following a change in the Group's 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". Accordingly, the Group's 2011 profit attributable to owners of the parent is restated from US$600.9 million to US$574.0 million. Details of the restatements are set out in Note 2(B) to the Consolidated Financial Statements.
(iii) Associated companies
(iv) Contribution from operations represents the recurring profit contributed to the Group by its operating companies.
(v) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains/losses, loss/gain on changes in fair value of plantations and non-recurring items.
(vi) Foreign exchange and derivative gains/losses represent the gains/losses on foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and payables and the changes in the fair values of derivatives.
(vii) Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. 2012's non-recurring losses of US$13.2 million mainly represent PLDT's impairment provisions for 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). 2011's non-recurring gains of US$152.9 million mainly represent the Group's gain on dilution of a 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).

Contribution by Country



Turnover ↑5% to US$5,990.8 million from US$5,684.1 million	■ resulting from higher turnover at both Indofood and MPIC
Recurring profit ↓15% to US$360.3 million from US$423.0 million	■ owing largely to a 72% decline in contribution from Philex, followed by a 10% decline in contribution from PLDT and a 5% decline in contribution from Indofood ■ slightly offset by a 26% increase in contribution from MPIC
Non-recurring losses at US$13.2 million versus non-recurring gains of US$152.9 million	■ reflecting a lower amount of gain on dilution of First Pacific's interest in PLDT recorded in 2012
Reported profit ↓39% to US$348.8 million from US$574.0 million	■ reflecting lower recurring profit ■ and non-recurring losses of US$13.2 million was recorded, which principally represents PLDT's impairment provisions of US$17.6 million for Digitel's cell sites and Philex's provisions of US$9.9 million for fees and penalties in respect of an uncontrolled discharge of water and tailings from its tailings pond No. 3, partly offset by the Group's gain of US$14.5 million 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

The Group's operating results are denominated in local currencies, principally the peso and the rupiah, which are translated and consolidated to provide the Group's results in U.S. dollar. The changes of these currencies against the U.S. dollar are summarized below.

Exchange rates against the U.S. dollar At 31 December	**2012**	2011	One year change
Closing			
Peso	**41.05**	43.84	+6.8%
Rupiah	**9,670**	9,068	–6.2%

Exchange rates against the U.S. dollar For the year ended 31 December	**2012**	2011	One year change
Average			
Peso	**42.08**	43.24	+2.8%
Rupiah	**9,392**	8,762	–6.7%

During 2012, the Group recorded net foreign exchange and derivative gains of US$1.8 million (2011: losses of US$7.1 million), which can be further analyzed as follows:

US$ millions	**2012**	2011
Head Office	**(2.5)**	(2.7)
PLDT	**6.7**	(0.6)
MPIC	**(0.9)**	(2.1)
Indofood	**(0.3)**	(1.6)
Philex	**(1.2)**	(0.1)
Total	**1.8**	(7.1)

Additional Investments

Infrastructure

- In January 2012, Beacon Electric Asset Holdings Inc ("Beacon Electric") acquired an additional 2.7% interest in Meralco for a consideration of Pesos 8.85 billion (US$210.3 million). In November and December 2012, it acquired an additional 0.3% interest in Meralco for a total consideration of Pesos 0.9 billion (US$21.4 million).
- In January 2012, MPIC invested additional Pesos 2.7 billion (US$64.2 million) in Beacon Electric.
- In August 2012, Maynilad Water Services, Inc. ("Maynilad") acquired 100% of Philippine Hydro (PH) Inc. for a consideration of Pesos 527 million (US$12.5 million).
- In December 2012, MPIC announced the acquisition of a 51% interest in DLSMC in Quezon, with the completion of this transaction expected in the first half of 2013.
- In December 2012, Metro Pacific Tollways Corporation ("MPTC") invested Pesos 6.8 billion (US$160.9 million) in a convertible note issued by Cavitex Holdings Inc. ("CHI") which holds CAVITEX through its wholly-owned subsidiary, Cavitex Infrastructure Corporation ("CIC"). The note is convertible into new, non-voting redeemable convertible preference shares of CHI or common shares of CIC subject to certain approvals and conditions.
- On 4 March 2013, First Pacific and Manila Electric Company's ("Meralco") wholly-owned subsidiary Meralco PowerGen Corporation ("Meralco PowerGen") announced an acquisition of 70% of GMRE, a company building a power plant located on Jurong Island, Singapore, from GMR Infrastructure for S$600 million (approximately US$488 million) in cash, with a further committed S$60 million (approximately US$49 million) equity contribution into the project. First Pacific holds 60% of the joint venture investment vehicle FPM Power Holdings Limited ("FPM Power") and Meralco PowerGen owns the remaining 40%.

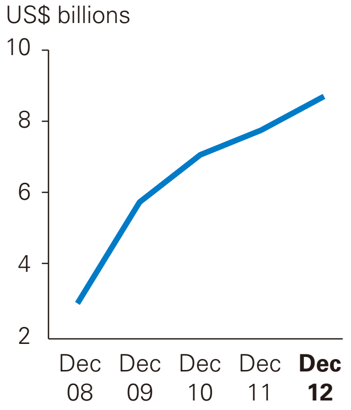
Foods/Consumer

- In August 2012, ICBP and Asahi formed two joint venture companies to manufacture and to sell non-alcoholic beverages in Indonesia. Indofood invested Rupiah 64 billion (US$6.8 million) into the marketing and distribution company, PT Indofood Asahi Sukses Beverage.
- In November 2012, ICBP signed a memorandum of understanding with Tsukishima Foods Industry Co., Ltd ("Tsukishima") to enter into value added oils and fats products.
- In February 2013, Indofood acquired in aggregate a 29.3% interest in CMFC for a total consideration of approximately S$195.2 million (US$159.6 million).

Natural Resources

- In May 2012, Indofood Agri Resources Ltd ("IndoAgri") invested Rupiah 138 billion (US$15.0 million) in Heliae Technology Holdings, Inc. ("Heliae"). In late 2012, IndoAgri invested additional Rupiah 33 billion (US$3.5 million) in Heliae.
- On 28 May 2012, First Pacific acquired an approximately 7.4% direct interest in Pitkin Petroleum Plc ("Pitkin") for a consideration of approximately US$6.3 million.
- On 6 June 2012, First Pacific acquired an approximately 3.3% direct interest in Forum Energy Plc ("Forum Energy") for a consideration of approximately US$3.6 million.
- In January 2013, IndoAgri, through a subsidiary company, entered into an agreement to acquire 50% economic interest in Companhia Mineira de Açúcar e Álcool Participações ("CMAA") for a consideration of approximately Brazilian Real 143.4 million (US$71.7 million). CMAA is involved in sugar, ethanol and co-generation of electric power industry in Brazil. The transaction is expected to be completed in the second quarter of 2013.
- In March 2013, PT Salim Ivomas Pratama Tbk ("SIMP") and its subsidiary PT PP London Sumatra Indonesia Tbk ("Lonsum") invested a total of Rupiah 330.0 billion (US$34.1 million) for an effective interest of 79.7% in PT Mentari Pertiwi Makmur ("MPM"). MPM is an investment company, through its subsidiary companies, engaged in industrial forest plantations for a total area of 73,330 hectares in East Kalimantan Province.

Value of Assets



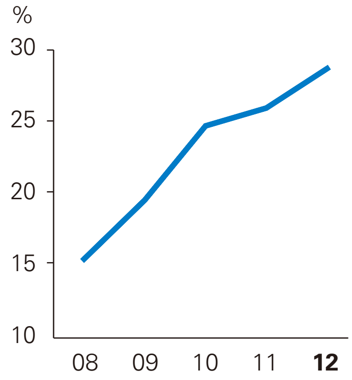
Capital Management

Dividend

First Pacific's Board of Directors ("the Board") recommended a final dividend of HK 13.00 cents (U.S. 1.67 cents) per share, unchanged from the 2011 final dividend and bringing the regular dividend to HK 21 cents (U.S. 2.70 cents) per share, unchanged from 2011. The regular dividend represents a payout of 29% of recurring profit to shareholders, meeting a commitment made three years ago to return a minimum of 25% of recurring profit to shareholders.

The Board has confirmed that capital allocation will remain as a combination of dividends and share repurchases taking into consideration economic conditions in the markets of Group operating companies, Head Office's finances and investment plans. Full-year dividend payments will be at least 25% of recurring profit while share repurchases will be as large as 10% of recurring profit.

Dividend Payout Ratio



Share Repurchase Program

The two-year program to buy back up to US$130 million of First Pacific shares by way of "on-market" repurchases was completed on 4 June 2012. Under the program, the Company repurchased a total of 138.2 million shares at an average price of HK$7.30 (US$0.94) per share. As part of the focus on shareholder returns, the Board approved a renewed program on 20 March 2012 in which First Pacific will spend up to 10% of recurring profit on share repurchases. Like the two-year program it replaces, the renewed share buyback program is conditional on the state of financial markets, economic conditions affecting Group companies, and potential opportunities for mergers and acquisitions.

Debt Profile

At 31 December 2012, net debt at the Head Office stood at US$1.1 billion while gross debt stood at US$1.7 billion with an average maturity of approximately 5 years. Approximately 37% of the Head Office's borrowings were on a floating rate basis while fixed rate borrowings comprised the remainder.

Net interest expense increased 21% during 2012 to US$77.7 million as a result of a higher average debt level and higher interest rates on debts with a longer average maturity.

Interest Cover

For 2012, Head Office's recurring operating cash inflow before interest expenses was approximately US$295.8 million and net cash interest payments were approximately US$73.7 million. For the 12 months ended 31 December 2012, the cash interest cover was approximately 4.0 times.

Foreign Currency Hedging

The Company actively reviews the potential benefits of hedging based on forecast dividend flows and enters into hedging arrangements (including the use of forward exchange contracts) for managing its foreign currency exposure in respect of dividend income and payments in foreign currencies on a transactional basis.

2013 Outlook

After a trying 2012 which saw a difficult competitive environment for PLDT, a mining suspension at Philex and a declining rupiah for Indofood, all First Pacific Group companies are confident in the prospects for earnings growth in 2013. After a successful fund-raising in 2012, First Pacific has begun the year with a promising investment in power generation in Singapore. The Company remains committed to investing for value and growth within the geographies of emerging Asia and in the Group's four economic sectors: telecommunications, infrastructure, food/consumer, and natural resources.

PLDT

CONTRIBUTION
US$193.1 million

Share Price Performance

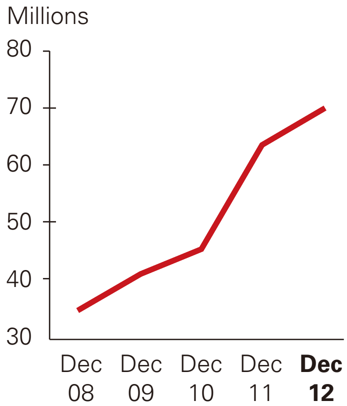
Review of Operations – PLDT

An analysis of PLDT's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

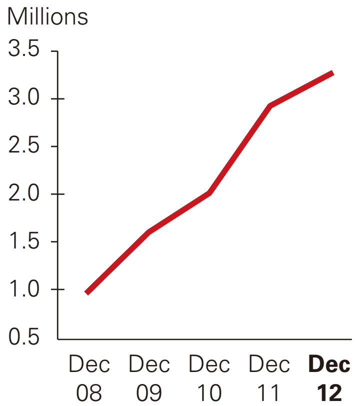
US$ millions	Turnover 2012	Turnover 2011 (Restated)(i)	Turnover % change	Profit 2012	Profit 2011 (Restated)(i)	Profit % change
Wireless	**2,790.9**	2,360.5	+18.2	**872.7**	966.3	–9.7
Fixed Line	**1,455.9**	1,359.5	+7.1	**178.6**	299.1	–40.3
Others	**–**	–	–	**80.2**	2.4	+3,241.7
Inter-segment elimination	**(440.0)**	(347.3)	+26.7	**–**	–	–
Total	**3,806.8**	3,372.7	+12.9			
Segment Result				**1,131.5**	1,267.8	–10.8
Net finance costs				**(121.2)**	(115.1)	+5.3
Share of profits less losses of associates and joint ventures				**26.0**	58.1	–55.2
Profit Before Taxation				**1,036.3**	1,210.8	–14.4
Taxation				**(293.6)**	(396.8)	–26.0
Profit for the Year				**742.7**	814.0	–8.8
Profit from discontinued operations(i)				**15.7**	17.4	–9.8
Non-controlling interests				**1.3**	1.4	–7.1
Profit Attributable to Equity Holders				**759.7**	832.8	–8.8
Preference dividends				**(4.4)**	(7.8)	–43.6
Profit Attributable to Common Shareholders				**755.3**	825.0	–8.4
Average shareholding (%)				**25.6**	26.1	–
Contribution to Group Profit				**193.1**	215.0	–10.2

(i) 2011's comparative figures for segment turnover and profit have been restated to reflect the presentation of business process outsourcing business as discontinued operations.

Cellular Subscriber Numbers



Broadband Subscriber Numbers



PLDT contributed a profit of US$193.1 million to the Group (2011: US$215.0 million). This represents approximately 42% (2011: 42%) of First Pacific's aggregate contribution derived from the operations of subsidiaries and associated companies for the year. The 10% decline in profit contribution was principally due to higher operating expenses relating mainly to a manpower reduction program and increased selling and promotional activities, partly offset by higher service revenues and gains from the sale of Philweb Corporation's shares and Beacon Electric's preferred shares.

Consolidated core net income ↓4% to Pesos 37.3 billion (US$887.2 million) from Pesos 39.0 billion (US$901.9 million)	■ higher operating expenses net of higher service revenues from the inclusion of Digitel service revenues
Reported net income ↑12% to Pesos 35.5 billion (US$842.5 million) from Pesos 31.7 billion (US$733.0 million)	■ impacted by a decline in core net income by Pesos 1.7 billion (US$40.4 million) offset by ■ foreign exchange and derivative gains (net of tax) higher by Pesos 1.2 billion (US$28.5 million) ■ lower asset impairment by Pesos 5.6 billion (US$133.1 million)
Consolidated service revenues ↑10% to Pesos 160.2 billion (US$3.8 billion) from Pesos 145.8 billion (US$3.4 billion)	■ due to the full year inclusion of Digitel financial results ■ reflecting 15% increase in revenues of the wireless business and 4% increase in fixed line
EBITDA ↓4% to Pesos 75.6 billion (US$1.8 billion) from Pesos 78.5 billion (US$1.8 billion)	■ due to higher costs, specifically a Pesos 3.8 billion (US$90.3 million) manpower reduction expenses, and an increase in selling and promotional expenses
EBITDA margin to 46% from 52%	■ reflecting a decline in EBITDA, largely due to manpower reduction expenses and higher selling and promotional expenses ■ impacted by the consolidation of Digitel's lower EBITDA margin ■ change in revenue mix where higher margin legacy revenues are replaced by new revenue streams with lower margins
Consolidated free cash flow ↓20% to Pesos 37.8 billion (US$898.3 million) from Pesos 47.2 billion (US$1.1 billion)	■ higher cash from operations and disposal of assets of Pesos 80.4 billion (US$1.9 billion) compared with Pesos 79.2 billion (US$1.8 billion) in 2011 ■ offset by an increase in capital expenditure to Pesos 36.4 billion (US$865.0 million) from Pesos 31.2 billion (US$721.6 million)

Debt Profile

As at 31 December 2012, PLDT recorded a consolidated net debt of US$1.9 billion, up from US$1.7 billion as at 31 December 2011. Gross debt totaled US$2.9 billion including Digitel's debt of approximately US$500 million. Over 70% of the gross debt will be due in and after 2015 and 46% is U.S. dollar-denominated. Taking into account its peso borrowings, hedging positions and U.S. dollar cash holdings, only 34% of the total debt remains unhedged.

Capital Management

Dividend

For the sixth consecutive year, PLDT's dividends amounted to 100% of its core net income. PLDT's Board of Directors declared a final regular dividend of Pesos 60 (US$1.4) per share, fulfilling PLDT's commitment to pay out 70% of core net income. In addition, the board of PLDT, consistent with its year-end "look back" policy, approved a special dividend of Pesos 52 (US$1.2) per share for a total of Pesos 112 (US$2.7) per share with a payment date of 18 April 2013. Added to the interim dividend of Pesos 60 (US$1.4) per share paid on 28 September 2012, total dividends for the year will amount to Pesos 172 (US$4.1) per share, representing a payout of 100% of 2012 core net income.

Share Buyback

In 2008, PLDT's board approved a share buyback program of up to 5 million shares. As of 31 December 2012, PLDT had bought back 2.7 million shares into treasury at an average cost of Pesos 2,388 (US$57) per share. Under the approved share buyback program, PLDT may still acquire up to 2.3 million shares from the market on an opportunistic basis.

Investment in Philippine Depositary Receipts ("PDRs") of MediaQuest Holdings, Inc. ("MediaQuest")

In May 2012, PLDT announced its investment, through ePLDT, of Pesos 6.0 billion (US$142.6 million) in MediaQuest's newly issued PDRs, PLDT in turn will have a 40% economic interest in MediaScape which operates a direct-to-home ("DTH") pay-TV business under the brand name CignalTV. MediaQuest is a wholly-owned entity of the PLDT Beneficial Trust Fund, its major investments in media assets including TV5 and CignalTV.

On 5 March 2013, PLDT announced its further investment in the media industry through ePLDT, which will invest Pesos 3.6 billion (US$87.7 million) for a 40% economic interest in SatVentures, which in turn holds the residual 60% economic interest in MediaScape. ePLDT will also invest Pesos 1.95 billion (US$47.5 million) for 100% economic interest in Hastings Holdings, which holds minority stakes in the Philippine Star, the Philippine Daily Inquirer and BusinessWorld, three major newspapers in the Philippines.

These investments are part of PLDT's overall strategy of broadening the PLDT group's distribution platforms to enhance its ability to deliver multi-media content across the group's extensive broadband and mobile networks.

Wireless

PLDT group's combined cellular subscriber base grew 10% to 69.9 million (31 December 2011: 63.7 million) representing approximately 68% of the total cellular market in the Philippines based on subscribers and approximately 61% in terms of revenues. Smart and Digitel's combined prepaid subscriber base increased 9% to 67.6 million, accounting for 97% of its total cellular subscriber base. Postpaid subscribers increased 18% to 2.3 million, the largest share in the Philippine market.

At the end of the year, the cellular SIM penetration rate (counting multiple SIM) in the Philippines was approximately 105%.

Combined broadband subscribers – Digital Subscriber Line ("DSL") fixed and wireless – grew 11% from the end of December 2011 to 3.3 million, inclusive of about 0.7 million Digitel broadband subscribers. This accounted for approximately 64% of the broadband subscriber market in the Philippines.

Wireless service revenues ↑15% to Pesos 117.4 billion (US$2.8 billion) from Pesos 102.1 billion (US$2.4 billion)	■ due to the full year inclusion of Digitel financial results ■ increases in wireless broadband and mobile internet browsing revenues ■ partly offset by decline in cellular voice revenues at Smart
Wireless EBITDA ↓2% to Pesos 54.4 billion (US$1.3 billion) from Pesos 55.4 billion (US$1.3 billion)	■ higher in subsidies, selling and promotion and manpower reduction expenses
EBITDA margin to 46% from 54%	■ resulting from a decline in EBITDA ■ partially owing to Digitel's EBITDA margin of 28% on consolidation ■ Smart's EBITDA margin stood at 51%

The wireless business has been implementing various marketing programs to increase its revenues, including launching competitive offers that aim to stabilize ARPUs, expanding the postpaid businesses, strengthening subscriber loyalty and brand differentiation.

Fixed Line

The number of PLDT fixed line subscribers declined by 5% to 2.1 million at the end of December 2012 from a year earlier.

PLDT continues to lead in fixed line as it has the largest share in each of the retail and corporate segments of the market.

Fixed line service revenue ↑4% to Pesos 61.3 billion (US$1.5 billion) from Pesos 58.8 billion (US$1.4 billion)	■ due to the full year consolidation of Digitel financial results which added Pesos 3.3 billion (US$78.4 million) to total fixed line service revenues ■ increase in DSL and corporate data revenues by Pesos 2.6 billion (US$61.8 million) and in local exchange carrier revenues by Pesos 749 million (US$17.8 million) ■ offset partly by Pesos 498 million (US$11.8 million) decline in international long distance revenues and Pesos 439 million (US$10.4 million) decline in national long distance revenues
Fixed line EBITDA ↓10% to Pesos 20.3 billion (US$482.4 million) from Pesos 22.7 billion (US$525.0 million)	■ mainly due to Pesos 3.0 billion (US$71.3 million) manpower reduction costs
EBITDA margin to 33% from 39%	■ due to a decline in EBITDA ■ reflecting a lower EBITDA margin at Digitel ■ reflecting a change in revenue mix where higher margin legacy revenue streams are being replaced by new revenues streams with lower margins

The fixed line network has been upgraded to an all-IP next generation network (NGN) to enable PLDT to offer improved voice, data, and other services with vastly expanded network capacity. It will focus on offering new tailor-made services to its two major customer segments, HOME and ENTERPRISE.

Business Process Outsourcing ("BPO")

Under SPi Global, PLDT consolidated its BPO operations consisting of knowledge processing solutions (KPS) and customer relationship management (CRM).

Service revenues ↑15% to Pesos 9.9 billion (US$235.3 million) from Pesos 8.6 billion (US$198.6 million)	■ due largely to a 15% increase in revenues from KPS owing to higher content services and inclusion of Laserwords from November 2011 and a 15% increase in revenues from CRM business owing largely to higher domestic sales
EBITDA ↑33% to Pesos 2.1 billion (US$49.9 million) from Pesos 1.6 billion (US$37.0 million)	■ reflecting growth in service revenues higher than the increase in total expenses, which includes a 9% rise in compensation and benefits expenses to Pesos 5.5 billion (US$130.7 million) from Pesos 5.1 billion (US$117.9 million)
EBITDA margin to 21% from 18%	■ driven by EBITDA growth ■ reflecting focus on high value offerings, better seat utilization, efficiencies of scale and location strategy

In February 2013, PLDT announced that it had agreed to sell its BPO businesses to Asia Outsourcing Gamma Ltd., a company controlled by CVC Capital Partners. The transaction is expected to complete by the second quarter of 2013. As a result, the BPO businesses have been classified as discontinued operations.

Meralco

PLDT Communications and Energy Ventures, Inc. ("PCEV"), a 99.7% owned subsidiary of Smart, owns 50% of Beacon Electric, a special purpose company jointly owned with MPIC. In turn, Beacon Electric owns approximately 48.3% of Meralco as at 31 December 2012.

Meralco, the largest electricity distribution utility in the Philippines, has a franchise that allows it to distribute electricity in most of Luzon until 2028. The franchise area produces nearly half of the Philippines' gross domestic product. Meralco accounts for over half of the total electricity sales in the Philippines. To help manage the high demand and cost of power, and in search of new sources of growth, Meralco is investing in power generation. It is a significant partner of Redondo Peninsula Energy, Inc. which is on track of building two 300 MW of coal-fired base load plants with operations commencing in 2016.

Its wholly-owned subsidiary Meralco PowerGen is partnering with Chubu Electric of Japan for a liquefied natural gas-fired plant in Quezon.

On 5 March 2013, Meralco PowerGen announced the acquisition of a 70% interest in GMRE through FPM Power Holdings Limited ("FPM Power"). Meralco PowerGen holds 40% of FPM Power and First Pacific owns the remaining 60%.

Details of Meralco's performance in 2012 and the acquisition of GMRE can be found in the MPIC section.

2013 Outlook

PLDT expects to return to growth in 2013 with core income guidance of Pesos 38.3 billion, or Pesos 1 billion higher than 2012's. Although competition in the cellular market has remained challenging, PLDT has seen stability in its revenue market share. Capital expenditures for 2013 are projected to decline significantly with the completion of its network transformation program which has positioned PLDT well to retain overall market leadership and in anticipation of a greater take-up of broadband. Continuing efforts to integrate Digitel/Sun into the group should result in greater synergies and increased efficiencies. Following the rationalization of its portfolio which resulted in the divestment from its BPO operations, PLDT expects greater involvement in multi-media and content.

Reconciliation of Reported Results Between PLDT and First Pacific

PLDT's operations are principally denominated in peso, which averaged Pesos 42.08 (2011: Pesos 43.24) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to PLDT's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2012**	2011
Net income under Philippine GAAP	**35,454**	31,697
Preference dividends[(i)]	**(51)**	(599)
Net income attributable to common shareholders	**35,403**	31,098
Differing accounting and presentational treatments[(ii)]		
– Reclassification of non-recurring items	**2,987**	7,212
– Others	**(5,498)**	(2,765)
Adjusted net income under Hong Kong GAAP	**32,892**	35,545
Foreign exchange and derivative (gains)/losses[(iii)]	**(1,108)**	126
PLDT's net income as reported by First Pacific	**31,784**	35,671
US$ millions		
Net income at prevailing average rates for 2012: Pesos 42.08 and 2011: Pesos 43.24	**755.3**	825.0
Contribution to First Pacific Group profit, at an average shareholding of 2012: 25.6% and 2011: 26.1%	**193.1**	215.0

(i) First Pacific presents net income after deduction of preference dividends.

(ii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:
- Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2012 of Pesos 3.0 billion represents asset impairment provisions of Pesos 2.9 billion and share of Meralco's non-recurring losses of Pesos 0.1 billion. Adjustment for 2011 of Pesos 7.2 billion represents asset impairment provisions of Pesos 7.0 billion and share of Meralco's non-recurring losses of Pesos 0.5 billion, partly offset by gains on disposal of subsidiaries of Pesos 0.3 billion.
- Others: The adjustments principally relate to the accrual of withholding tax on PLDT's net income in accordance with the requirements of HKAS 12 "Income Taxes", and the recognition of amortization for certain intangible assets identified as a result of the Group's acquisition of an additional 2.7% interest in PLDT in November 2011.

(iii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative gains/losses (net of related tax) are excluded and presented separately.

CONTRIBUTION
US$86.1 million

Share Price Performance

Review of Operations – MPIC

An analysis of MPIC's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

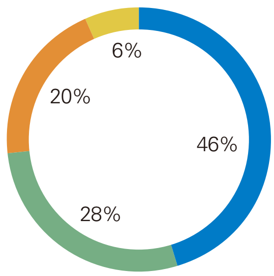
US$ millions	Turnover 2012	Turnover 2011	Turnover % change	Profit 2012	Profit 2011	Profit % change
Water distribution	**377.4**	318.4	+18.5	**199.4**	165.0	+20.8
Toll roads	**161.2**	149.5	+7.8	**82.2**	73.4	+12.0
Hospitals	**122.2**	42.5	+187.5	**20.0**	4.6	+334.8
Corporate overhead	**–**	–	–	**(8.1)**	(14.9)	–45.6
Total	**660.8**	510.4	+29.5			
Segment Result				**293.5**	228.1	+28.7
Net finance costs				**(81.0)**	(68.4)	+18.4
Share of profits less losses of associates and joint ventures				**36.3**	40.0	–9.3
Profit Before Taxation				**248.8**	199.7	+24.6
Taxation				**(20.5)**	(11.5)	+78.3
Profit for the Year				**228.3**	188.2	+21.3
Non-controlling interests				**(142.2)**	(120.0)	+18.5
Contribution to Group Profit				**86.1**	68.2	+26.2

MPIC's infrastructure portfolio as at 19 March 2013 comprises the following assets offering water distribution, electricity distribution, toll roads and hospital services:

- 52.8% in Maynilad after Marubeni Corporation – Nippon Koei Co. Ltd.'s acquisition of a 20% effective interest in Maynilad in February 2013
- 50.0% in Beacon Electric which owns 48.3% of Meralco
- 99.9% in MPTC which owns 67.1% of Manila North Tollways Corporation ("MNTC") and 46.0% of Tollways Management Corporation
- 33.4% in Medical Doctors, Inc. ("MDI")
- 100% in Colinas Verdes Hospital Managers Corporation ("CVHMC"), the operator of Cardinal Santos Medical Center ("CSMC")
- 51.0% in Riverside Medical Center, Inc. ("RMCI")
- 34.9% in Davao Doctors Hospital, Inc.
- 100% in East Manila Hospital Managers Corporation, the operator of Our Lady of Lourdes Hospital ("OLLH")
- 85.6% in Asian Hospital, Inc. ("AHI") which owns 100% of Asian Hospital and Medical Center

MPIC's contribution to the Group rose 26% to US$86.1 million (2011: US$68.2 million) reflecting higher contributions from all its businesses and lower operating expenses and net finance cost at MPIC head office level.

Contribution from Operations 2012



	US$ millions
Maynilad	84.4
Meralco	51.7
MPTC	37.3
Hospitals	12.1
Total	**185.5**

Consolidated core net income ↑28% to Pesos 6.5 billion (US$155.2 million) from Pesos 5.1 billion (US$118.0 million)	■ Maynilad, Meralco, MPTC and Hospitals accounted for 46%, 28%, 20% and 6%, respectively, of MPIC consolidated profit contribution from operations ■ reflecting a 15% rise in contribution from Maynilad to Pesos 3.6 billion (US$84.4 million) from Pesos 3.1 billion (US$71.7 million) on higher tariffs and billed water volume ■ a 29% increase in contribution from Meralco to Pesos 2.2 billion (US$51.7 million) from Pesos 1.7 billion (US$39.0 million) on higher sales volume and recovery of local franchise taxes ■ an 8% rise in contribution from MPTC to Pesos 1.6 billion (US$37.3 million) from Pesos 1.5 billion (US$33.6 million) on higher traffic volumes and lower interest costs ■ a 104% rise in contribution from Hospitals to Pesos 507 million (US$12.0 million) from Pesos 248 million (US$5.7 million) ■ lower operating expenses and net finance cost at MPIC head office level
Consolidated reported net income ↑26% to Pesos 6.4 billion (US$151.8 million) from Pesos 5.1 billion (US$117.0 million)	■ due largely to the higher core net income, partially reduced by provisions for refinancing costs at Maynilad, Beacon and MPIC head office in 2012
Revenues ↑26% to Pesos 27.8 billion (US$660.8 million) from Pesos 22.1 billion (US$510.4 million)	■ reflecting higher tariffs and billed water volume at Maynilad, higher traffic volumes at MPTC and full year contribution from 2011 acquisitions in the hospital division

Equity Placement

In January 2013, MPIC raised Pesos 6.1 billion (US$150.7 million) by placing 1.33 billion new shares at Pesos 4.6 (U.S. 0.113 cent) per share. The funds will be used for expansion of current investments and potential new projects, including CAVITEX, NAIA Expressway II, CALA Expressway and Cebu-Mactan Airport.

Debt Profile

As at 31 December 2012, MPIC recorded a consolidated debt of Pesos 43.6 billion (US$1.1 billion), up 9% from Pesos 40.0 billion (US$912.9 million) as at 31 December 2011, mainly reflecting a borrowing drawn at MPIC head office to partly finance its investment in CAVITEX.

Dividend

The MPIC board of Directors declared a final cash dividend of Pesos 0.02 (U.S. 0.049 cent) per share, 33% higher than the final dividend of 2011. Together with an interim cash dividend of Peso 0.012 (U.S. 0.029 cent) per share, this brings the full-year dividend to Pesos 0.032 (U.S. 0.078 cent) per share, an increase of 28%.

Maynilad

Maynilad operates a concession that runs until 2037 for water distribution and sewerage for the West Zone of Metro Manila, comprising a population of 9.6 million people in 17 cities and municipalities as at 31 December 2012. During 2012, Maynilad spent Pesos 7.0 billion (US$166.3 million) on its water distribution system, of which Pesos 740 million (US$17.6 million) was used for improving and expanding its waste and sewerage water services. Maynilad's system currently delivers 24-hour water supply to 96% of its customers while almost 100% of customers receive water pressure of at least seven pounds per square inch.

Core net income ↑13% to Pesos 6.8 billion (US$161.6 million) from Pesos 6.0 billion (US$138.8 million)	■ owing largely to higher tariffs and billed water volume
Reported net income ↑9% to Pesos 6.4 billion (US$152.1 million) from Pesos 5.9 billion (US$136.4 million)	■ reflecting the net effect of higher core net income, deferred tax asset write-off resulting from change in amortization method of service concession assets from straight-line to units-of-production starting 2013 and the absence of provisions for an early retirement program
Revenues ↑15% to Pesos 15.9 billion (US$377.4 million) from Pesos 13.8 billion (US$318.4 million)	■ reflecting a 7% rise in both billed water volume and billed customers, as well as a 9% increase in effective tariff
Average non-revenue water down to 43.5% from 47.8%	■ reflecting leak repairs, pipe rehabilitation and more efficient management of water pressure and supply ■ the above resulted in the recovery of over 120 million liters per day of water
Total billed water volume ↑7% to 433 million cubic meters from 405 million cubic meters	■ reflecting a 7% increase in billed customers
Total billed customers ↑7% to 1,073,508 from 1,005,350	■ reflecting new pipeline connections

In September 2012, Maynilad submitted its revised business plan to the regulator for the water tariff in the next rate rebasing period. The reviewing process is ongoing with focus on capital expenditure plan and cash position. It is expected to be completed in July 2013.

During the year, Maynilad acquired a 100% interest in Philippine Hydro (PH) Inc. which has bulk water supply and distribution projects in Albay, Bulacan, Nueva Vizcaya and Nueva Ecija. Maynilad also acquired a 10% interest in Subic Water and Sewerage Co. Inc.

MPIC, through its subsidiary MetroPac Water Investments Corporation also partnered with Manila Water Corporation to invest in a bulk water supply project for Metro Cebu Water District with a capacity of 35 million liters water per day serving a population of approximately 2.4 million under a 30-year contract.

Meralco

During 2012, the volume of electricity sold by Meralco rose 7% to 32,771 GWh with growth driven by an 11% increase in demand from the industrial sector, a 6% increase in commercial demand and a 5% increase in demand from residential customers.

The distribution charge decreased by 2% to Pesos 1.56/kWh from Pesos 1.59/kWh, while the average customer retail rate increased 6% to Pesos 9.64/kWh, reflecting a 10% increase in the generation charge as well as a 14% increase in the taxes and universal charge. Generation, transmission and distribution charges accounted for 58%, 10% and 16%, respectively, of customers' electricity bills, while the system loss charge accounted for 6% and the remaining 10% was the taxes and universal charge.

System loss fell to a record low at 7.04% from 7.35% a year earlier, reflecting Meralco's continuing refinement of loss reduction programs and a steady decline of electricity theft. Meralco will continue to invest in its electricity distribution system for a franchise area which produces over half of the Philippines' gross domestic product.

Core net income ↑9% to Pesos 16.3 billion (US$387.4 million) from Pesos 14.9 billion (US$344.6 million)	■ reflecting a 7% increase in sales volume ■ the recovery of local franchise taxes
Reported net income ↑29% to Pesos 17.0 billion (US$404.0 million) from Pesos 13.2 billion (US$305.3 million)	■ reflecting an increase in core net income and decreases in various provisions and recognition of non-recurring gains from the divestment of Rockwell Land Corporation
Core EBITDA margin to 9.4% from 10.4%	■ reflecting a decrease in distribution charge

As at 31 December 2012, Meralco's consolidated debt remained flat at Pesos 24.6 billion (US$599.3 million), reflecting the refinancing of some debts on more favorable terms with an average interest rate of 5.7%.

On 4 March 2013, First Pacific and Meralco's wholly-owned subsidiary Meralco PowerGen Corporation ("Meralco PowerGen") announced an acquisition of 70% of GMRE, a company building a power plant located on Jurong Island, Singapore, from GMR Infrastructure for S$600 million (approximately US$488 million) in cash, with a further committed S$60 million (approximately US$49 million) equity contribution into the project. The acquisition of 70% of GMRE will be financed by internal resources. First Pacific holds 60% of the joint venture investment vehicle FPM Power and Meralco PowerGen owns the remaining 40%. GMRE's combined cycle combustion turbine power project consists of two 400 megawatt natural gas-fired turbines which are scheduled to go online in December 2013. The remaining 30% of the project will continue to be held by Petronas Power Sdn Bhd, a subsidiary of Malaysia's state-owned oil and gas company.

Meralco is continuing its efforts to reduce electricity costs, further improve operational efficiency and increase service reliability. During the year, it signed various new highly cost-effective long-term Power Supply Agreements with power generators for a capacity of up to 2,880 megawatts ("MW"). In power generation, Meralco is the controlling joint venture partner in Redondo Peninsula Energy, Inc. which is on track to build two 300 MW coal-fired base load plants with operations commencing in 2016. Two liquefied natural gas ("LNG") projects with capacity of 1,500 MW each are being studied, the Atimonan Project, a potential partnership with Chubu Electric, can be online by 2018 and Tabangao Project, a project that would be with Shell, can be online by 2019. Further initiatives include a pilot scheme for prepaid electricity, adding new value-added services, improving cost management and employing technologies for innovation.

MPTC

MPTC, through its 67.1% interest in MNTC and 46.0% interest in TMC, operates the North Luzon Expressway ("NLEX"), the SCTEX, the Subic Freeport Expressway and CAVITEX. The concession for NLEX runs until 2037, for SCTEX until 2043 and for CAVITEX unitl 2033 for the original built and to 2046 for the extension.

In December 2012, MPTC expanded its toll road portfolio with an agreement to manage CAVITEX effective 2 January 2013, which is a 14-kilometer toll road running from CAVITEX to Laguna with daily traffic averaging 90,000 vehicles.

Core net income ↑6% to Pesos 1.6 billion (US$38.0 million) from Pesos 1.5 billion (US$34.7 million)	■ due largely to traffic growth and lower interest and operating expenses
Reported net income ↑17% to Pesos 1.5 billion (US$35.6 million) from Pesos 1.3 billion (US$30.1 million)	■ reflecting the higher core net income and the absence of provision for input value added taxes included in 2011
Revenues ↑5% to Pesos 6.8 billion (US$161.2 million) from Pesos 6.5 billion (US$149.5 million)	■ reflecting a 3% increase in average daily vehicle entries, longer distances traveled and a higher proportion of commercial vehicles, which pay higher tolls per vehicle than private cars and public buses
Core EBITDA ↑7% to Pesos 4.4 billion (US$104.6 million) from Pesos 4.1 billion (US$94.8 million)	■ due mainly to higher revenues and effective control over operating and maintenance expenses

In July 2012, MPTC wholly-owned subsidiary Metro Pacific Tollways Development Corporation, through its subsidiary, MNTC signed a revised agreement on the takeover of SCTEX concession with the Bases Conversion and Development Authority ("BCDA"). MNTC continues to coordinate with BCDA and the Philippine Government to complete the turnover of management of SCTEX. MPTC plans to invest Pesos 400 million (US$9.7 million) to integrate SCTEX with NLEX to facilitate seamless travel between the two expressways.

The Philippine Government recently announced the approval of the implementation of two elevated expressways that will connect the northern and southern toll road systems. MPTC's Connector Road Project, a four-lane elevated expressway, will connect the Harbour Link to Southern Luzon. Detailed engineering drawing and design are largely complete in preparation for the Swiss Challenge and expected awarding of the project within 2013.

MPTC expects the Connector Road to increase traffic on the existing northern and southern toll road systems by enabling commercial vehicles to traverse Metro Manila without violating the truck ban and slashing travel time between systems to no more than 20 minutes from over an hour today.

Hospitals

MPIC's hospital portfolio delivers world-class services including diagnostic, therapeutic and preventive medicine services through all three major island groupings of the Philippines. The hospital division comprises Makati Medical Center, CSMC, OLLH and Asian Hospital in Metro Manila, as well as Riverside Medical Center in Bacolod City and Davao Doctors Hospital in Davao City, with approximately 1,800 beds.

There were a total of 4,546 accredited medical doctors and consultants as well as 3,291 students at the end of 2012.

Core net income ↑29% to Pesos 722 million (US$17.2 million) from Pesos 559 million (US$12.9 million)	■ reflecting the addition of AHI to the portfolio and strong cost controls ■ partly offset by higher depreciation, finance costs and income tax mainly from the inclusion of AHI
Reported net income ↑6% to Pesos 715 million (US$17.0 million) from Pesos 674 million (US$15.6 million)	■ lower growth than core net income reflecting gain on sale of CVHMC by MDI to MPIC in 2011
Revenues ↑34% to Pesos 11.3 billion (US$268.5 million) from Pesos 8.5 billion (US$196.6 million)	■ reflecting the addition of AHI to the portfolio, and strong performance at OLLH, RMCI and MDI

The hospital division is in the process of completing the acquisition of the DLSMC which has 150 beds, and another hospital in Luzon of similar size by the first half of 2013. It continues to evaluate opportunities for expansion through the acquisition of additional hospitals in strategic areas of the Philippines, aiming for a total of 3,000 beds across 15 hospitals.

This division continues to invest in improving infrastructure, equipment and facilities, leveraging its technical and professional expertise to expand services and enhance operational efficiency across its hospitals, as well as the opportunity of working with strategic partner.

2013 Outlook

Owing to economic growth and continuing cost controls, all of MPIC's businesses are expected to continue strong earnings growth. The hospital division is expected to continue growing via acquisition and through continuing efficiency improvements increase profitability. MPTC will continue to integrate its several highways with handover of SCTEX expected to occur during 2013 as the business continues to search for new toll road investments. Maynilad will continue to see organic growth in its water distribution business as it ramps up capital expenditure on its wastewater treatment business and seeks other domestic water distribution projects to invest in. Meralco's distribution business will benefit from continuing economic growth as it continues to seek additional opportunities to invest in power generation.

Overall, 2013 is expected to see MPIC set yet another record high in its earnings even as its growth increases its ability to add to shareholder return by gradually increasing its dividend payout ratio.

Reconciliation of Reported Results Between MPIC and First Pacific

MPIC's operations are principally denominated in peso, which averaged Pesos 42.08 (2011: Pesos 43.24) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to MPIC's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2012**	2011
Net income under Philippine GAAP	**6,388**	5,059
Preference dividends[(i)]	**(4)**	(5)
Net income attributable to common shareholders	**6,384**	5,054
Differing accounting and presentational treatments[(ii)]		
– Reclassification of non-recurring items	**76**	(109)
– Others	**(388)**	(2)
Adjusted net income under Hong Kong GAAP	**6,072**	4,943
Foreign exchange and derivative losses[(iii)]	**66**	151
MPIC's net income as reported by First Pacific	**6,138**	5,094
US$ millions		
Net income at prevailing average rates for 2012: Pesos 42.08 and 2011: Pesos 43.24	**145.9**	117.8
Contribution to First Pacific Group profit, at an average shareholding of 2012: 59.0% and 2011: 57.9%	**86.1**	68.2

(i) First Pacific presents net income after deduction of preference dividends.

(ii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustment includes:

– Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2012 of Pesos 76 million principally represents debt refinancing costs totaling Pesos 747 million of MPIC parent company, Maynilad and Beacon Electric, partly offset by Meralco's actuarial gains on defined benefit pension plans of Pesos 491 million and MPIC parent company's reversal of provision for assets of Pesos 150 million. Adjustment for 2011 of Pesos 109 million principally represents share of Meralco's actuarial gains on defined benefit pension plans of Pesos 758 million, partly offset by share of Meralco's non-recurring losses of Pesos 289 million, MPTC's loan pre-termination expenses of Pesos 221 million and expenses in relation to Maynilad's early retirement program of Pesos 113 million.

(iii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses (net of related tax) are excluded and presented separately.

CONTRIBUTION
US$170.1 million

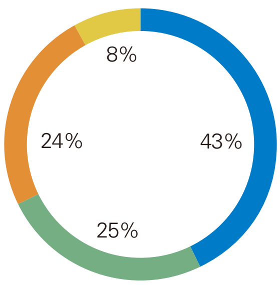
Share Price Performance

Review of Operations – Indofood

An analysis of Indofood's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

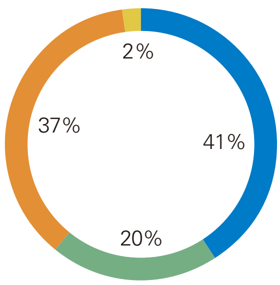
US$ millions	Turnover 2012	Turnover 2011	Turnover % change	Profit 2012	Profit 2011	Profit % change
Consumer Branded Products						
– Noodles	**1,622.6**	1,542.3	+5.2	**249.6**	255.9	–2.5
– Dairy	**410.8**	421.5	–2.5	**25.8**	23.9	+7.9
– Snack Foods	**159.7**	134.1	+19.1	**11.3**	7.7	+46.8
– Food Seasonings	**124.3**	107.9	+15.2	**6.7**	4.3	+55.8
– Nutrition & Special Foods	**52.4**	55.5	–5.6	**3.3**	5.5	–40.0
– Inter-segment elimination	**(73.4)**	(64.7)	+13.4	**–**	–	–
Subtotal	**2,296.4**	2,196.6	+4.5	**296.7**	297.3	–0.2
Bogasari	**1,696.6**	1,683.2	+0.8	**144.7**	111.8	+29.4
Agribusiness						
– Plantations	**893.1**	968.0	–7.7	**231.8**	362.1	–36.0
– Edible Oils & Fats	**1,021.2**	1,034.0	–1.2	**41.2**	17.2	+139.5
– Inter-segment elimination	**(437.6)**	(565.2)	–22.6	**–**	–	–
Subtotal	**1,476.7**	1,436.8	+2.8	**273.0**	379.3	–28.0
Distribution	**418.8**	398.4	+5.1	**15.3**	15.5	–1.3
Inter-segment elimination	**(558.5)**	(541.3)	+3.2	**–**	–	–
Total	**5,330.0**	5,173.7	+3.0			
Segment Result				**729.7**	803.9	–9.2
Net finance costs				**(40.9)**	(49.3)	–17.0
Share of profits less losses of associates and joint ventures				**(3.8)**	(0.1)	+3,700.0
Profit Before Taxation				**685.0**	754.5	–9.2
Taxation				**(180.0)**	(181.6)	–0.9
Profit for the Year				**505.0**	572.9	–11.9
Non-controlling interests				**(334.9)**	(394.4)	–15.1
Contribution to Group Profit				**170.1**	178.5	–4.7

Tuneover 2012*



	US$ millions
CBP	2,286.6
Bogasari	1,337.6
Agribusiness	1,287.0
Distribution	418.8
Total	**5,330.0**

Operating Profit 2012



	US$ millions
CBP	296.7
Bogasari	144.7
Agribusiness	273.0
Distribution	15.3
Total	**729.7**

* After inter-segment elimination

Indofood reported an eighth consecutive year of record results as it recorded increased sales from all four complementary strategic businesses: Consumer Branded Products ("CBP"), Bogasari, Agribusiness and Distribution. Indofood is a vertically integrated food company with production operations ranging from raw materials through to consumer branded products to the distribution of these products to a market of more than 230 million people across the Indonesian archipelago.

Indofood's contribution to the Group decreased 5% to US$170.1 million (2011: US$178.5 million) principally reflecting a 7% depreciation of the average rupiah rate against the dollar, partly offset by a higher core net income.

Core net income ↑3% to Rupiah 3.3 trillion (US$347.7 million) from Rupiah 3.2 trillion (US$360.3 million)	■ improved performance across Indofood group businesses, except for Agribusiness ■ lower non-controlling interests' share of profit due to a weaker Agribusiness performance ■ partly offset by higher operating expenses
Net income ↑6.0% to Rupiah 3.3 trillion (US$347.2 million) from Rupiah 3.1 trillion (US$351.2 million)	■ due to a higher core net income
Consolidated net sales ↑10% to Rupiah 50.1 trillion (US$5.3 billion) from Rupiah 45.3 trillion (US$5.2 billion)	■ all business groups contributed to the increase in sales mainly driven by higher sales volumes ■ sales contribution from Consumer Branded Products, Bogasari, Agribusiness and Distribution were 43%, 25%, 24% and 8%, respectively
Gross profit margin at 27.1% from 27.8%	■ due mainly to weaker performance of the Plantations division owing to lower prices for palm products and rubber as well as higher production costs
Consolidated operating expenses ↑17% to Rupiah 6.7 trillion (US$713.4 million) from Rupiah 5.7 trillion (US$650.5 million)	■ due mainly to an increase in employee-related expenses in conjunction with wage inflation and an increase in staffing, higher freight and handling expenses in conjunction with the increase in sales volumes, and higher advertising and promotion spending
EBIT margin at 13.7% from 15.1%	■ on lower gross profit margin and higher operating expenses
Net gearing to 0.06 times from 0.02 times	■ increase in net debt due to increase in trust receipts payable which is mainly used for raw material importation

Debt Profile

As at 31 December 2012, Indofood recorded a gross debt of Rupiah 15.3 trillion (US$1.6 billion), up from Rupiah 13.7 trillion (US$1.5 billion) as at the end of December 2011. Of this total, Rupiah 7.0 trillion (US$0.7 billion) matures within 2013. The remaining Rupiah 8.3 trillion (US$0.9 billion) matures between 2014 and 2019.

New Investments

Indofood group expanded its business portfolio through the following strategic transactions:

In August 2012, ICBP and Asahi formed a joint venture companies to manufacture and to sell non-alcoholic beverages in Indonesia. It is expected to be commercially operational within 12 to 18 months.

In November 2012, ICBP signed a memorandum of understanding with Tsukishima Foods Industry Co., Ltd ("Tsukishima") to enter into value added oils and fats products such as margarine products, whipped bread filing cream, batter conditioner, and other oil and fat derivatives products for bakeries, confectioneries and restaurants industries.

In January 2013, IndoAgri entered into an agreement to acquire 50% interest in Companhia Mineira de Açúcar e Álcool Participações ("CMAA") for a consideration of approximately Brazilian Real 143.4 million (US$71.7 million). CMAA involves in sugar, ethanol and co-generation industry in Brazil. The transaction is expected to be completed in the second quarter of 2013.

In February 2013, Indofood acquired in aggregate a 29.3% interest in China Minzhong Food Corporation Limited ("CMFC") for a total consideration of approximately S$195.2 million (US$159.6 million). CMFC is a leading integrated vegetable processor in the People's Republic of China with cultivation, processing and sales capabilities. It is listed in Singapore.

In March 2013, SIMP and its subsidiary Lonsum invested a total of Rupiah 330.0 billion (US$34.1 million) for an effective interest of 79.7% in MPM. MPM is an investment company, through its subsidiary engaged in industrial forest plantations for a total area of 73,330 hectares in East Kalimantan Province.

Consumer Branded Products ("CBP")

The CBP group comprises Noodles, Dairy, Snack Foods (including Biscuits), Food Seasonings and Nutrition & Special Foods.

Indofood's Noodles division is one of the world's largest producers of instant noodles. It has 15 production plants in Indonesia and one in Malaysia with a combined annual production capacity of around 15.8 billion packs per year. Indomie, Supermi, Sarimi, Sakura, Pop Mie, Pop Bihun and Mi Telur Cap 3 Ayam are popular Indofood brands.

The Dairy division, PT Indolakto, is one of the largest dairy products manufacturers in Indonesia with the flagship brand Indomilk encompassing sweetened condensed milk, UHT milk, sterilized bottled milk, pasteurized liquid milk as well as powdered milk. Other brands include Indoeskrim for ice cream and Orchid for butter. Consumption per capita for dairy products in Indonesia remains low at around 11-12 liters per year. In conjunction with rising income per capita, lifestyle changes and increasing consumer awareness of the nutritional value of dairy products, demand continued to grow during the year. To meet increasing demand, Indolakto completed the construction of a new factory in the fourth quarter of 2012 which increased the total annual production capacity by approximately 20%.

The Snack Foods division maintained its leadership position through its leading brands Chitato and Lays (potato chips), and Qtela (cassava and soybean chips, as well as curly and prawn crackers). Biscuits are marketed under the brand names Trenz and Wonderland. Sales continued to increase driven by the growth of current products and new product launches.

The Food Seasonings division manufactures a wide range of culinary products, of which instant seasonings and chili sauce are the most popular. The division also produces soy sauce, tomato sauce and other condiments.

The Nutrition & Special Foods division produces food for babies, children, and milk for expectant and lactating mothers under two brands: Promina caters to higher-income groups, while SUN is targeted to the mass-market segment.

Sales ↑12% to Rupiah 21.6 trillion (US$2.3 billion) from Rupiah 19.2 trillion (US$2.2 billion)	■ on the back of higher sales across the divisions, except for Nutrition & Special Foods ■ increase in sales mainly driven by volume growth
Sales volume	■ Noodles up 10% to 12.1 billion packs from 11.1 billion packs ■ Dairy up 3% to 290.4 thousand tonnes from 281.8 thousand tonnes ■ Snack Foods up 24% to 29.2 thousand tonnes from 23.5 thousand tonnes ■ Food Seasonings up 11% to 86.7 thousand tonnes from 77.9 thousand tonnes ■ Nutrition & Special Foods down 2% to 14.4 thousand tonnes from 14.7 thousand tonnes
EBIT margin to 13.2% from 13.7%	■ on higher operating expenses in particular employee related, and advertising and promotion expenses

Bogasari

Bogasari has been operating in Indonesia for more than three decades and has long been a member of the Indofood group, with flour mills located in Jakarta and Surabaya. Bogasari produces wheat flour as well as pasta for both domestic and international markets. Its brands, among others, are Cakra Kembar, Segitiga Biru, Kunci Biru and Lencana Merah for wheat flour, and La Fonte for pasta. It also has its own maritime unit which has two Panamax and five Handymax vessels that are used mainly to transport wheat from suppliers in Australia and the northern hemisphere. In addition, it also operates a packaging factory that produces polypropylene bags.

Sales ↑8% to Rupiah 15.9 trillion (US$1.7 billion) from Rupiah 14.7 trillion (US$1.7 billion)	■ due mainly to an 8.5% increase in sales volume of food flour ■ offset by slightly lower average selling prices in conjunction with lower international wheat prices
Sales volume of food flour ↑8.5% to 2.6 million tonnes from 2.4 million tonnes	■ owing to higher demand both from internal and external parties
EBIT margin to 8.6% from 6.6%	■ strategy to balance market share and profitability

The flour industry is expected to continue growing, as wheat consumption at around 26 kg per capita annually is still low in comparison with neighboring countries. Urbanization will also catalyze the industry's growth in light of the growing popularity of modern fast-food franchises and associated lifestyle changes, primarily within younger generations. However, competition will likely intensify with the continuing entrance of new players.

Agribusiness

The Agribusiness group consists of two divisions: Plantations and Edible Oils & Fats ("EOF"), which operate through Indofood's 59.7%-owned Singapore-listed subsidiary IndoAgri and IndoAgri's 72.0%-owned Indonesia-listed subsidiary SIMP which in turn owns 59.5% of Indonesia-listed subsidiary Lonsum. The Agribusiness group is a market leader in Indonesia's branded cooking oil segment, and is one of the lowest-cost palm oil producers in the world.

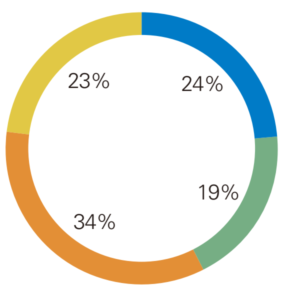
The Agribusiness group is vertically integrated, producing a number of leading food products derived from palm oil. Its operations cover the entire value chain from research and development, oil palm seed breeding and oil palm cultivation to milling, refining, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products. It also operates rubber, sugar cane, cocoa and tea plantations.

Plantations

SIMP and Lonsum have a combined planted area of 268,725 hectares, up 5% from 254,989 hectares at the end of December 2011. Oil palm is the dominant crop, and 43% of the oil palms are younger than seven years old. Total planted area of oil palm was 230,919 hectares, up 6% from 216,837 hectares at the end of December 2011. Fresh fruit bunch nucleus production grew by 6% to 2,973 thousand tonnes and CPO production up 5% to 880 thousand tonnes.

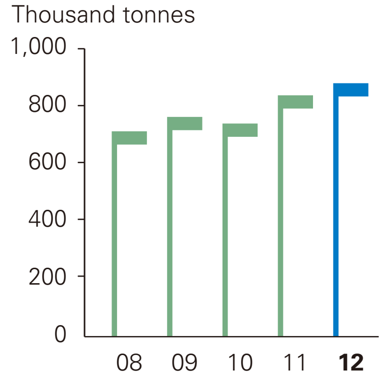
The division also operates 37,806 hectares of area planted with other crops including rubber, sugar cane, cocoa and tea. At the end of December 2012, the total planted area of rubber was 21,802 hectares, the planted area of sugar cane was 12,333 hectares and the planted area of remaining crops was 3,671 hectares. This division operates 21 palm oil mills with a total annual processing capacity of 4.9 million tonnes of fresh fruit bunches. In November 2012, in line with its commitment to sustainable practices, SIMP was awarded certification from the Roundtable on Sustainable Palm Oil for two estates and a palm oil mill in Riau province. This endorsement added 53 thousand tonnes of output to the Agribusiness group's CPO production, bringing the group's total certified output to 248 thousand tonnes or approximately 28% of 2012 total production.

Age Profile of Oil Palm Plantations



	Hectares
Immature areas	54,814
4-6 years	43,875
7-20 years	79,119
Above 20 years	53,111
Total	**230,919**

Crude Palm Oil (CPO) Production



Edible Oils & Fats

This division manufactures cooking oils and fats and markets products under various brands for both export and domestic consumption. Bimoli and Simas Palmia are leading cooking oil and margarine brands in Indonesia. The division also produces crude coconut oil and derivative products, most of which are exported to the United States, Europe and Asia. The division has refinery capacity of 1.4 million tonnes of CPO per annum as of 31 December 2012 and most of this division's needs are sourced from the plantation division's CPO production.

Sales ↑10% to Rupiah 13.9 trillion (US$1.5 billion) from Rupiah 12.6 trillion (US$1.4 billion)	■ due mainly to higher CPO and EOF products sales volume ■ higher contribution from sugar operations following the commencement of its first full sugar cane crushing season during the year
EBIT margin to 17.2% from 23.6%	■ due mainly to weaker performance of the Plantations division attributable to lower CPO and rubber prices as well as higher production costs and operating expenses
Sales volume	■ CPO stood at 829 thousand tonnes ■ EOF up 5% resulted from the expanded refinery capacity from its new refinery plant in Jakarta ■ Sugar up 114% to 62 thousand tonnes in line with increased production

The Agribusiness group's expansion focus is on oil palm and sugar new plantings. It just completed one palm oil mill in Kalimantan with processing capacity of 40 tonnes of fresh fruit bunches per hour, and the expansion in sugar mill and refinery in Central Java to 4,000 tonnes of cane per day. The expansion in bottling and margarine plant on the new Jakarta refinery in Tanjung Priok was completed in the first quarter of 2012.

Agribusiness group's strategic and expansion in 2013 including increase new plantings of oil palm and sugar cane, expand CPO production capacity and enhance supply chain infrastructure.

Distribution

The Distribution group is a major component of Indofood's Total Food Solutions chain of operations as it has the most extensive distribution network of stock points in Indonesia. It distributes the majority of Indofood's consumer products and third-party products across the archipelago. Indofood increased its market penetration and service standard through its stock points which are located in areas with a high density of retail outlets, ensuring high product availability. To further improve product visibility and increase availability, the group engaged merchandisers and canvassers, in conjunction with marketing efforts and promotions with its principals.

Sales ↑13% to Rupiah 3.9 trillion (US$418.8 million) from Rupiah 3.5 trillion (US$398.4 million)	■ principally reflecting stronger sales volumes of most key products
EBIT margin stable at 3.6%	■ on the back of higher sales

The Distribution group will further leverage its distribution system for increasing penetration in rural areas. Internal controls will continue to ensure higher cost efficiency. Its sales force will enhance communication with retail outlets to better understand and respond to customers' needs, while its team of merchandisers will ensure high product visibility in retail outlets.

2013 Outlook

Moving forward, Indofood remains focused on sustaining growth and enhancing the value of the company. During 2012, Indofood created a platform to accelerate growth and will build on it to capture the opportunities Indonesia will offer in the years ahead. At the same time, it will continue to expand its horizon beyond Indonesia. Indofood will continue to make efforts to secure key raw materials in a sustainable manner by increasing its investment in Agribusiness while fostering a mutually beneficial relationship with smallholders and farmers.

Reconciliation of Reported Results Between Indofood and First Pacific

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 9,392 (2011: Rupiah 8,762) to the U.S. dollar. Its financial results are prepared under Indonesian GAAP and reported in rupiah. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to Indofood's reported rupiah results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Rupiah billions	**2012**	2011
Net income under Indonesian GAAP	**3,261**	3,077
Differing accounting and presentational treatments[(i)]		
– Reclassification of non-recurring items	**–**	51
– (Loss)/gain on changes in fair value of plantations	**(1)**	91
– Foreign exchange accounting	**54**	54
– Others	**(132)**	(87)
Adjusted net income under Hong Kong GAAP	**3,182**	3,186
Foreign exchange and derivative losses[(ii)]	**6**	29
Loss/(gain) on changes in fair value of plantations[(ii)]	**1**	(91)
Indofood's net income as reported by First Pacific	**3,189**	3,124
US$ millions		
Net income at prevailing average rates for 2012: Rupiah 9,392 and 2011: Rupiah 8,762	**339.5**	356.5
Contribution to First Pacific Group profit, at an average shareholding of 2012: 50.1% and 2011: 50.1%	**170.1**	178.5

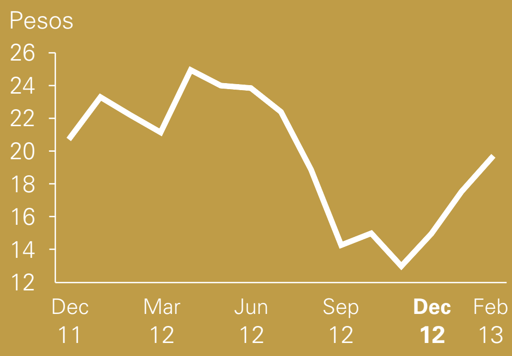
(i) Differences in accounting treatment under Indonesian GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:
- Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2011 of Rupiah 51 billion represents Rupiah 42 billion of founder's tax in relation to the spin-off of SIMP and Rupiah 9 billion of asset impairment provisions.
- (Loss)/gain on changes in fair value of plantations: Under Indonesian GAAP, Indofood measures its plantations (biological assets) on a historical cost basis. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less costs to sell. The adjustment relates to the change in fair value of plantations during the year.
- Foreign exchange accounting: The adjustment relates to the reversal of the amortization of foreign exchange losses that were previously capitalized by Indofood on certain fixed assets under construction, as the originating capitalized foreign exchange losses have already been written off by First Pacific.
- Others: The adjustments principally relate to the accrual of withholding tax on Indofood's net income in accordance with the requirements of HKAS 12 "Income Taxes" and reversal of amortization of plantations. Under Indonesian GAAP, Indofood amortizes plantations over their estimated useful lives. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less costs to sell.

(ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses (net of related tax) and loss/gain on changes in fair value of plantations are excluded and presented separately.

PHILEX
MINING CORPORATION

CONTRIBUTION
US$13.8 million

Share Price Performance

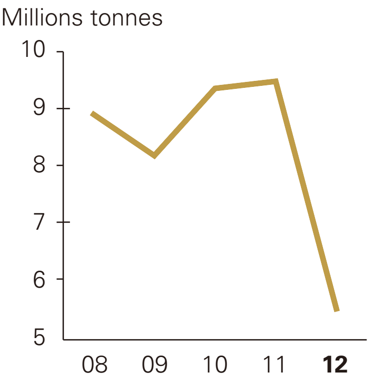


Review of Operations – Philex

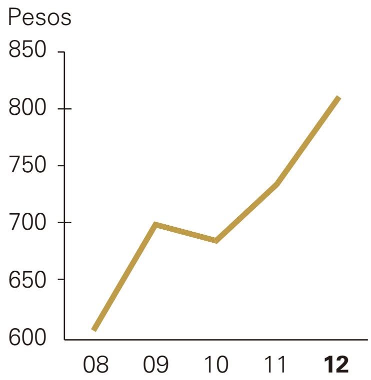
An analysis of Philex's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated to U.S. dollars, follows.

	Turnover			Profit		
US$ millions	**2012**	2011	% change	**2012**	2011	% change
Mining	**212.3**	363.3	–41.6	**29.8**	164.6	–81.9
Oil and gas	**5.8**	12.9	–55.0	**2.5**	8.7	–71.3
Total	**218.1**	376.2	–42.0			
Segment Result				**32.3**	173.3	–81.4
Net finance income				**0.3**	1.2	–75.0
Share of profits less losses of associates and joint ventures				**(0.1)**	(1.1)	–90.9
Profit Before Taxation				**32.5**	173.4	–81.3
Taxation				**(5.1)**	(63.8)	–92.0
Profit for the Year				**27.4**	109.6	–75.0
Non-controlling interests				**2.4**	(1.4)	–
Profit Attributable to Shareholders				**29.8**	108.2	–72.5
Average shareholding (%)				**46.3**	46.3	–
Contribution to Group Profit				**13.8**	50.1	–72.5

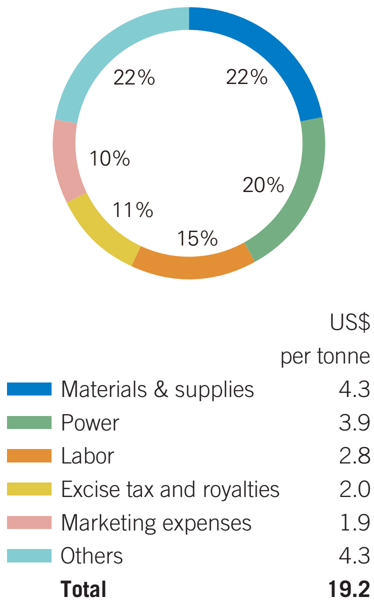
Ore Milled



Operating Cost Per Tonne of Ore Milled



Operating Cost Per Tonne of Ore Milled



Philex's natural resources portfolio comprises:

Philex Mining Corporation for metal-related assets
- 100% in Philex Gold Philippines, Inc.
- 100% in Silangan Mindanao Mining Co., Inc.

Philex Petroleum Corporation* for energy-related assets
- 100% in Brixton Energy & Mining Corporation ("Brixton Energy")
- 51.2% in FEC Resources, Inc.
- 48.8% in Forum Energy which owns 70.0% of Exploration License Service Contract 72
- 18.5% in Pitkin Petroleum Plc

* 11.4% directly held by First Pacific, 5.4% held by Two Rivers Pacific Holdings Corporation (a Philippine affiliate of First Pacific) and 64.8% held by Philex Mining Corporation.

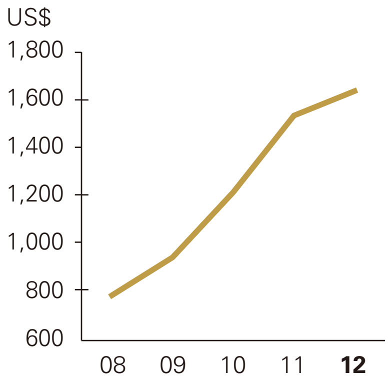
Philex's contribution to the Group decreased 72% to US$13.8 million (2011: US$50.1 million) principally as a result of the mine closure from 1 August 2012 following an uncontrolled discharge of water and tailings from one of the two underground tunnels that drain water from the tailings pond. Mining operations resumed on 8 March 2013 on a temporary basis for four months.

Its financial performance in 2012 was materially impacted by the suspension of the Padcal mining operations as total ore milled in 2012 down to 5.5 million tonnes (2011: 9.5 million tonnes), with an average grade of 0.507 grams (2011: 0.564 grams) of gold per tonne and 0.224% (2011: 0.221%) copper per tonne. The lower gold grade and shortened production period of seven months (2011: 12 months) resulted in a 42% decline in concentrate production to 40,562 dry metric tonnes (2011: 69,613 dry metric tonnes). Gold production fell 49% to 71,297 ounces (2011: 140,113 ounces) and copper production declined 41% to 22.3 million pounds (2011: 38.0 million pounds).

During the period in operation, the average realized price for gold rose 7% to US$1,638 per ounce (2011: US$1,536 per ounce) and the average realized copper price rose 8% to US$3.99 per pound (2011: US$3.70 per pound).

In November 2012, Philex has drawn down a loan of Pesos 1.1 billion (US$26.8 million) from a facility of up to US$200 million provided by First Pacific to fund the exploration and development of the Silangan Project and the rehabilitation of areas impacted by the tailings discharge at Padcal mine.

Average Gold Price Per Ounce



Average Copper Price Per Pound

As at 31 December 2012, Philex had Pesos 1.7 billion (US$40.6 million) of cash and cash equivalents, and Pesos 1.5 billion (US$35.3 million) comprising a loan from First Pacific and short-term bank loans.

Core net income ↓69% to Pesos 1.7 billion (US$40.5 million) from Pesos 5.6 billion (US$128.8 million)	■ due primarily to the suspension of Padcal mine's operation from 1 August 2012
Net income of Pesos 225 million (US$5.3 million) versus net income of Pesos 5.8 billion (US$133.5 million)	■ Philex Petroleum reported a net loss of Pesos 876 million (US$20.8 million) vs net income of Pesos 476 million (US$11.0 million) in 2011 ■ Reflecting impacts from net non-recurring charges including provisions for fees and penalties and rehabilitation costs of Pesos 1.1 billion (US$26.1 million) for Padcal uncontrolled discharge happened in August 2012, a write off of Pesos 374 million (US$8.9 million) for Brixton Energy's coal operations, and a write-down of Pesos 123 million (US$2.9 million) of Philex Petroleum's investment in Forum Energy's Service Contract 40
Operating revenue ↓43.4% to Pesos 9.1 billion (US$217.1 million) from Pesos 16.1 billion (US$373.1 million)	■ lower production volume for the full year due to the suspension of Padcal mine ■ lower gold grades partly offset by higher realized gold prices ■ revenues from gold contributed 54% of total, with copper accounting for 42% and the balance of 4% attributable to silver, petroleum and coal
EBITDA ↓88% to Pesos 1.0 billion (US$24.4 million) from Pesos 8.9 billion (US$204.7 million)	■ due mainly to lower operating revenues ■ Padcal mine's maintenance costs of Pesos 908 million (US$21.6 million) were high as a result of the cost of labour retention during the period of mine closure
Operating costs and expenses ↓30.5% to Pesos 5.7 billion (US$135.5 million) from Pesos 8.2 billion (US$189.6 million)	■ due mainly to lower volume of ore milled reflecting seven months of operations
Operating cost per tonne of ore milled ↑10% to Pesos 809 (US$19.2) from Pesos 735 (US$17.0)	■ Referred to above
Capital expenditure (including exploration costs) ↑17.6% to Pesos 4.0 billion (US$95.1 million) from Pesos 3.4 billion (US$78.6 million)	■ reflecting additional capital expenditure for the Padcal mine ■ reflecting additional pre-development expenditure for the Silangan Project

Dividend

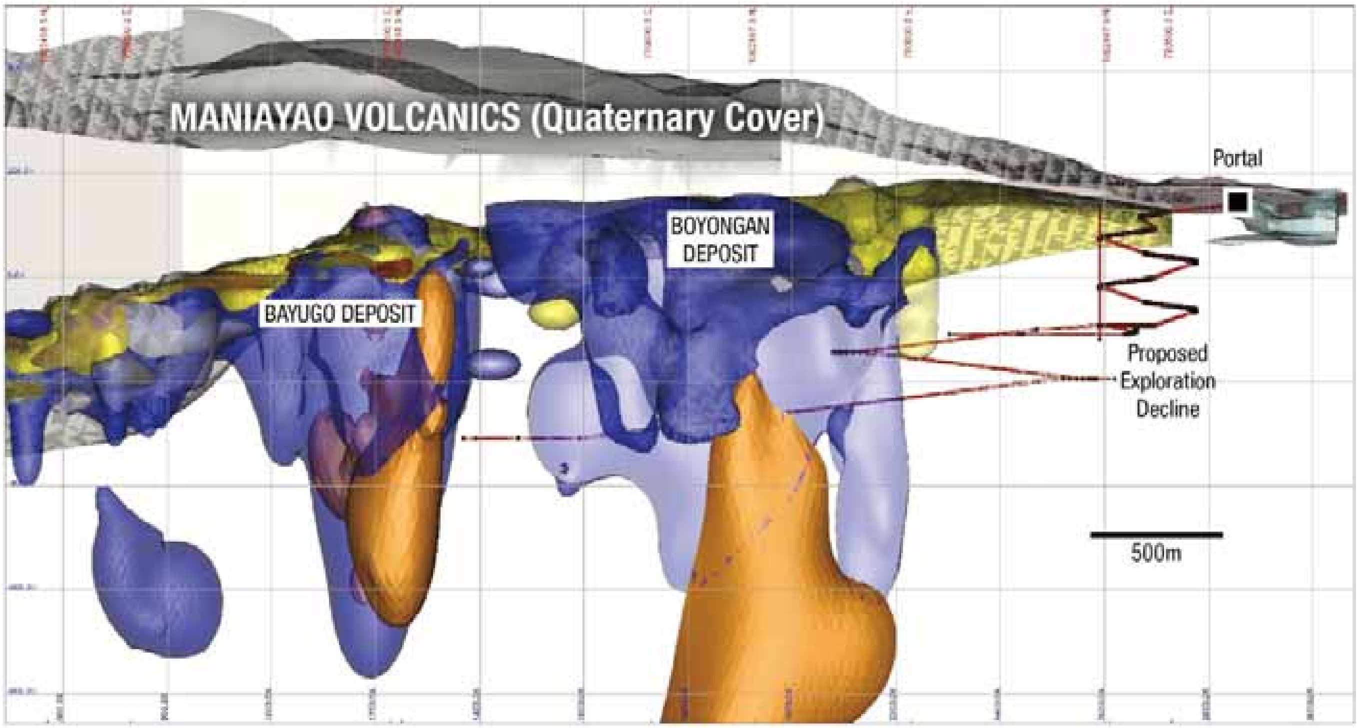
Given the suspension of operation at Padcal mine, the board of directors of Philex did not declare a final dividend for 2012. An interim dividend of Peso 0.11 (US$0.003) per share was paid on 3 September 2012, representing a payout ratio of 25% of 2012 first half core net income or 32% of 2012 full year core net income.

Silangan Project

The gold and copper mine development project is located in Surigao del Norte, Northern Mindanao in the Philippines, and comprises the Boyongan and Bayugo deposits. The project could include a third ore body, the Kalayaan property, as this is adjacent to Bayugo and is being explored and is later to be developed under a joint venture with Manila Mining Corporation.

The mineral resource estimate of the Silangan Project's Boyongan and Bayugo ore deposits, conducted in compliance with the Philippine Mineral Reporting Code, was completed in early August 2011, following an independent estimate for mineral resources prepared by SRK Perth, Australia released in June 2011. The estimate reported at a cut-off of 0.5% copper equivalent, based on metal prices of US$2.75 per pound copper and US$900 per ounce gold. Earlier, in October 2008, Independent Resources Estimations ("IRES") of South Africa completed a pre-feasibility study on Boyongan, concluding that, based on the assumptions used in their report, the Boyongan deposit is technically and financially feasible, with proven mineral reserves of 65.8 million tonnes at an average grade of 1.39 grams of gold and 0.87% copper per tonne.

The estimated capital expenditure for Silangan Project is US$1.2 billion with most spending between 2014 and 2016. Driving of the decline is underway. A Definitive Feasibility Study is expected to be completed by the second half of 2014.



Listed below are the mineral resources and proved reserves of the Padcal mine and Silangan Project based on the most recent data:

	Padcal mine (As at 31 December 2012)	Silangan Project (as at 5 August 2011) Boyongan	Silangan Project (as at 5 August 2011) Bayugo
Resources(million tonnes)	136(i)	273(ii)	125(ii)
Gold (gram/tonne)	0.51	0.72	0.66
Copper (%/tonne)	0.24	0.52	0.66
Contained copper (thousand lbs)	727,000	3,120,000	1,820,000
Contained gold (ounces)	2,250,000	6,300,000	2,700,000
Copper equivalent(iii) cutoff (%)	0.36	–	–
Copper equivalent cutoff (%)	–	0.50	0.50
Proved reserves (million tonnes)	72.6		
Gold (gram/tonne)	0.40		
Copper (%/tonne)	0.21		
Recoverable copper (thousand lbs)	275,000		
Recoverable gold (ounces)	683,000		
Copper equivalent(iii) cutoff (%)	0.317		

(i) Measured
(ii) Measured and indicated
(iii) Copper equivalent = % copper + 0.64 x gram/tonne gold; Metal prices: US$3.00/lb copper, US$1,500/oz gold; Metal resources: 82% copper, 72% gold

Bulawan Mine

The Bulawan mine produced a total of 467,000 ounces of gold from 1995 to 2001 and was then closed due to low gold prices. Philex has been exploring the vicinity of the mine to augment its currently indicated remaining resources of 17.5 million tonnes of ore with an average grade of 2.25 grams of gold per tonne. A geotechnical drilling program focused on testing deep root systems and shallow drilling at various areas is ongoing, with a total of 4,944 meters drilled in 17 holes.

Exploration License Service Contract 72

The project is located in the Reed Bank Basin in the West Philippines Sea. A 2D and 3D seismic program conducted in 2011 produced a best estimate of 2.6 trillion cubic feet of gas-in-place and 65 million barrels of oil-in-place classified as Contingent Resources, and 8.8 trillion cubic feet of gas-in-place and 220 million barrels of oil-in-place classified as Prospective Resources. A drilling program (at an estimated cost of US$75 million) is planned but is being delayed given the current impasse in relations between the Philippines and China. The project was granted by the Philippine government an extension up to August 2015.

2013 Outlook

On 26 February 2013, Philex was authorized by the Philippine MGB to resume the operation of the Padcal mine for a period not exceeding four months to undertake remediation measures for tailings pond No. 3 following Philex's payment of tailings fee of Pesos 1.0 billion (approximately US$25 million) to the MGB. Philex received US$25 million in insurance claims settlement relative to the tailings spill accident. Philex expects a return to full normal operations subsequent to completion of remediation work by the second half of 2013.

Development of the Silangan Project will continue in full steam to finish its pre-feasibility study and subsequent development in time for production to begin in 2017.

Reconciliation of Reported Results Between Philex and First Pacific

Philex's operations are principally denominated in peso, which averaged Pesos 42.08 (2011: Pesos 43.24) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to Philex's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2012**	2011
Net income under Philippine GAAP	**225**	5,771
Differing accounting and presentational treatments[i]		
– Reclassification of non-recurring items	**1,363**	(213)
– Depreciation of revaluation increment for assets	**(255)**	(386)
– Revenue recognition regarding sale of mine products	**24**	50
– Others	**(219)**	(557)
Adjusted net income under Hong Kong GAAP	**1,138**	4,665
Foreign exchange and derivative losses[ii]	**117**	10
Philex's net income as reported by First Pacific	**1,255**	4,675
US$ millions		
Net income at prevailing average rates for 2012: Pesos 42.08 and 2011: Pesos 43.24	**29.8**	108.1
Contribution to First Pacific Group, at an average shareholding of 2012: 46.3% and 2011: 46.3%	**13.8**	50.1

(i) Differences in accounting treatments under Philippine GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:
- Reclassification of non-recurring items: Certain items, through occurrence or size are not considered usual operating items which are reallocated and presented separately. Adjustment for 2012 of Pesos 1.4 billion principally represents provisions for fees and penalties of Pesos 903 million and rehabilitation costs for affected areas of Pesos 179 million in respect of an accidental discharge of water and tailings from its tailings pond No. 3, Brixton's impairment provisions for assets of Pesos 374 million and Forum Energy's impairment provisions for deferred exploration costs of Pesos 123 million, partly offset by gains on pre-termination of hedging contracts of Pesos 216 million. Adjustment for 2011 of Pesos 213 million mainly represents a gain of Pesos 397 million arising from a reclassification of an investment from an associated company to available-for-sale assets due to loss of significant influence in this investment, partly offset by asset impairment and other provisions of Pesos 184 million.
- Depreciation of revaluation increment of assets: A fair value assessment was performed at the date of acquisition of Philex and certain revaluation increment adjustments have been made to property, plant and equipment. The adjustment relates to the recognition of additional depreciation based on the revalued fair value of property, plant and equipment.
- Revenue recognition regarding sale of mine products: Philex recognizes revenue based on the production of mine products. HKAS 18 "Revenue" requires the recognition of revenue based on the satisfaction of certain conditions, which includes the transfer of significant risks and rewards of ownership of the products to the buyers and the absence of continuing managerial involvement to the degree usually associated with ownership and effective control over the products sold.
- Others: The adjustments principally relate to the adjustments for the Group's direct share of Philex Petroleum's results and accrual of withholding tax on Philex's net income in accordance with the requirements of HKAS 12 "Income Taxes".

(ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses (net of related tax) are excluded and presented separately.

Chairman's Letter

Dear Shareholders

We have gone through a transformational year at First Pacific. On 10 June 2012 the founder of our Company, Soedono Salim, passed away at the age of 97, more than three decades after founding what has become the premier investment management and holding company in Southeast Asia. First Pacific now has a market capitalization well in excess of US$5 billion and we have every prospect of continuing strength as our operating companies take part in and benefit from growth in our region.

First Pacific has evolved immensely over these 32 years but one characteristic has remained constant: creating long-term value. Indofood's recent joint ventures and investments will enhance its standing as Indonesia's premier vertically integrated food company – from soil to plate, as we say internally. Indofood's Agribusiness units are growing steadily both organically and via acquisition. PLDT remains the biggest telecommunications company in the Philippines and continues to add to its subscribers while its two-year US$1.6 billion capital expenditure program which culminated in 2012 has prepared it for a new era of growth in digital broadband. Our infrastructure investment firm, MPIC, is well capitalized following a record earnings year for new growth and new investments. Our gold and copper mining company Philex is overcoming its production shutdown in 2012 and is steadily building its Silangan project, one of the few world-class mining ventures in the Philippines. Our new investment in Singaporean electricity generation will begin delivering cash flows in 2014.

As we look towards 2013 and beyond, our subsidiaries and affiliates report that they are confident of continuing growth ahead. At First Pacific our cash flows are strong enough to deliver a record 29% of recurring profit of 2012 in dividends to shareholders. Our share repurchase program continues with funds amounting up to 10% of recurring profit devoted to buying back and canceling shares, thereby increasing the value of each share held by our shareholders.

Notwithstanding uncertainties in more mature markets, we remain confident of continuing strong growth in our region. The First Pacific Group of companies looks to the future with cautious optimism.

Sincerely,

Anthoni Salim
Chairman

19 March 2013

Managing Director and Chief Executive Officer's Letter

To our Shareholders

The year 2012 saw each of our Group companies set important milestones in their mission to improve customers' lives and grow their business for the benefit of shareholders. We may safely expect that the progress made in 2012 will add a further platform for growth in the years ahead.

PLDT, the largest telecommunications provider in the Philippines, completed a major network modernization program and laid the groundwork for growth following its 2011 merger with Digitel and Sun Cellular. PLDT is set to return to earnings growth in 2013 as it continues to bring affordable and high-quality telecommunications services to the majority of Filipinos in that fast-growing nation.

Our infrastructure investment arm, Metro Pacific Investments ("MPIC"), recorded its strongest-ever earnings as all of its units reported higher earnings. Meralco, the biggest electricity distributor in the Philippines, showed its fourth successive year of earnings growth as the number of customers served rose to an all-time high and system losses fell to a record low. Maynilad, the largest water distributor in the Philippines, delivered double-digit earnings growth and continues to seek investments in new water distribution projects. The toll roads business, Metro Pacific Tollways, grew traffic and earnings and closed the year with its December investment in CAVITEX, a coastal highway in southern Metro Manila. Our Hospital business doubled its contribution, with continuing investment in new hospital operations and strong organic growth.

MPIC finished 2012 well placed for further infrastructure investments as it seeks to win further projects in the Philippine Government's public-private partnership initiatives.

Philex is well on its way to recovering from the shutdown of its operations at the Padcal mine last August, and is pressing ahead full speed with its greenfield Silangan mining project in Northern Mindanao. The latter will transform Philex's earnings and future when it comes on-stream by 2017.

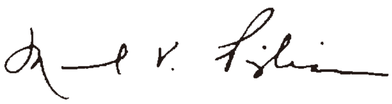
Indofood, the largest vertically integrated food company in Indonesia, reported its eighth succession year of record revenues and earnings as all of its businesses reported stronger sales. Given Indonesia's strong and steady economic growth, we can expect continued organic growth in Indofood's businesses in 2013.

Looking to the future, we look forward with optimism to Indofood's many initiatives in the areas of non-alcoholic beverages, in its joint venture with Asahi, in baked goods, in its partnership with Tsukishima, and in other areas where it has made recent investments – such as its most recent purchase of shares in China Minzhong Food Corporation and its investment in sugar and ethanol production in Brazil.

All our Group companies continue to be well positioned for growth. PLDT is growing its number of customers even as greater disposable incomes bring the Philippines forward into becoming a digital nation. MPIC has strong grounds for continuing organic growth and investment in new areas of infrastructure. Our recent investment in GMRE in Singapore will begin to pay dividends in 2014, and it establishes First Pacific's electricity generation subsidiary FPM Power as a contender to meet the electricity needs of emerging Asia. Philex is expected to start its recovery from the Padcal shutdown even as it maintains the development of calendar of its Silangan project.

At First Pacific, we continue to look to the twin formula on organic growth and new investments in 2013 to drive the value of our Company. We understand that it is only by committing to bring long-term value will we be able to deliver on our promises to shareholders to improve lives, and build upon our track record of our past earnings and share price growth.

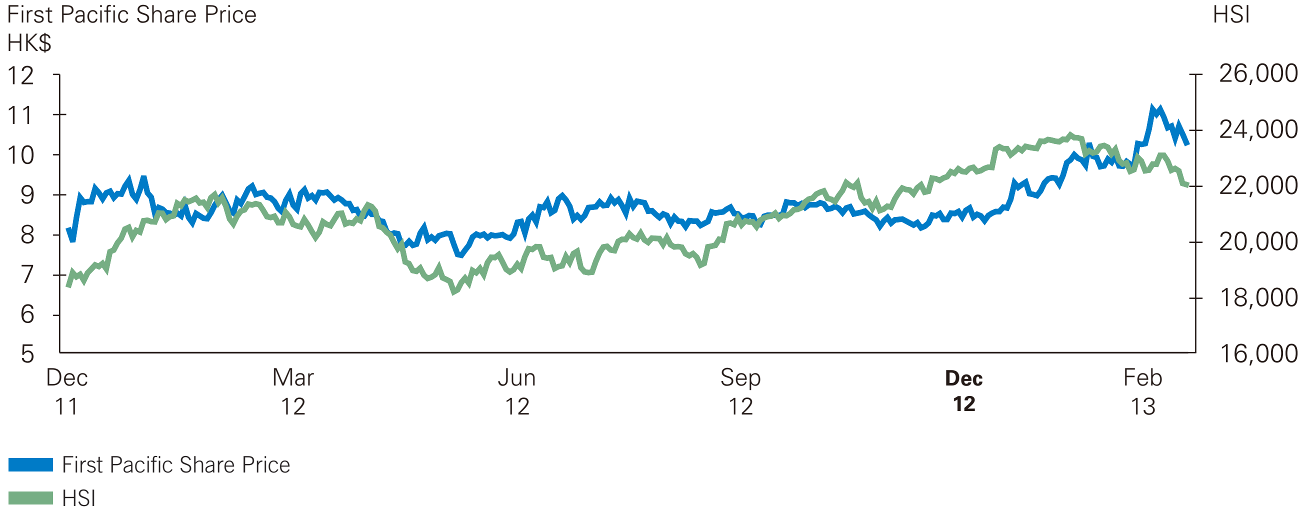
Most cordially



Manuel V. Pangilinan
Managing Director and Chief Executive Officer

19 March 2013

First Pacific Share Price vs Hang Seng Index (HSI)



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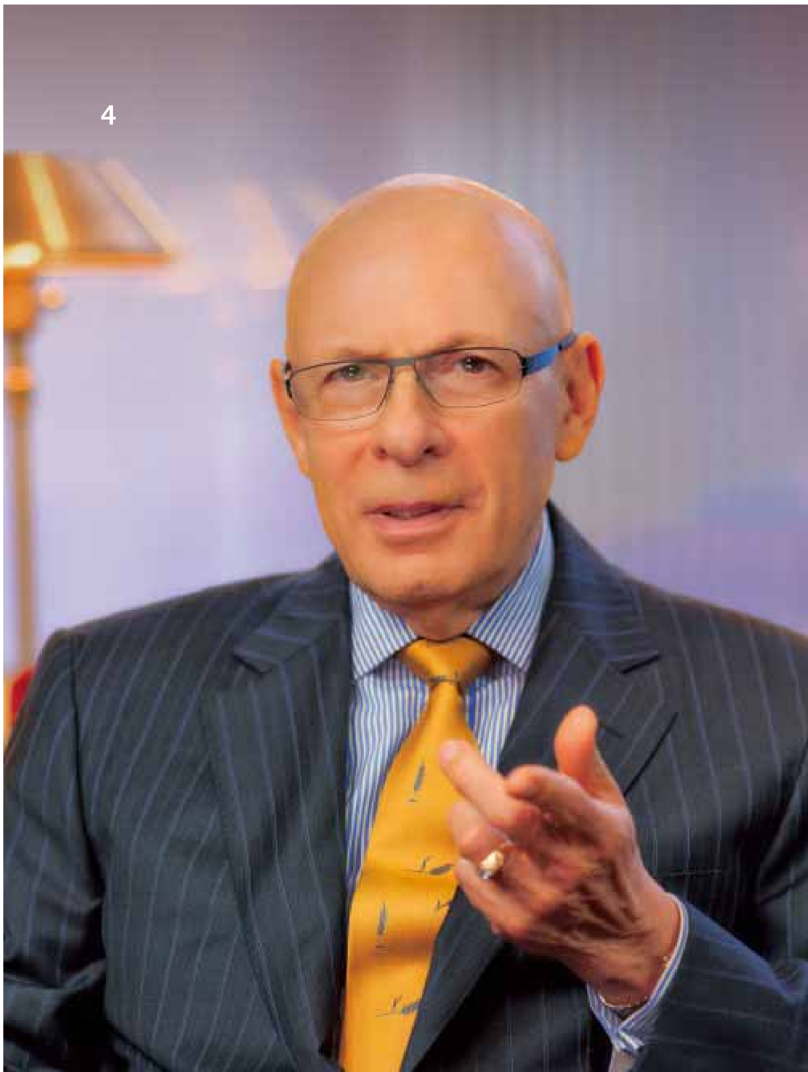

Board of Directors and Senior Executives

Board of Directors

Anthoni Salim [1]

Chairman

Age 64, born in Indonesia. Mr. Salim graduated from Ewell County Technical College in Surrey, England. He is the President and CEO of the Salim Group, President Director and CEO of PT Indofood Sukses Makmur Tbk. and PT Indofood CBP Sukses Makmur Tbk., and holds positions as Commissioner and Director in various companies.

Mr. Salim serves on the Boards of Advisors of several multinational companies. He was a member of the GE International Advisory Board, and is currently a member of the Advisory Board of ALLIANZ Group, an insurance company based in Germany, and a member of Food & Agribusiness Advisory Board of Rabobank Asia. He joined the Asia Business Council in September 2004.

Mr. Salim is the son of Soedono Salim. He has served as a Director of First Pacific since 1981 and assumed the role of Chairman in June 2003.

Manuel V. Pangilinan [2]

Managing Director and Chief Executive Officer

Age 66, born in the Philippines. Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts degree in Economics. He received his MBA degree from the Wharton School at the University of Pennsylvania. In Manila, he worked for Philippine Investment Management Consultants Inc. (PHINMA) in the Philippines, and in Hong Kong with Bancom International Limited and American Express Bank. Thereafter he founded First Pacific in May 1981.

Mr. Pangilinan served as Managing Director of First Pacific since its founding in 1981 until 1999. He was appointed Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer. He holds the positions of President Commissioner of PT Indofood Sukses Makmur Tbk in Indonesia. In the Philippines, Mr. Pangilinan is the Chairman of Philippine Long Distance Telephone Company (PLDT), Metro Pacific Investments Corporation (MPIC), Manila Electric Company (Meralco), ePLDT, Inc., Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (formerly named Pilipino Telephone Corporation), Digital Telecommunications Philippines Inc., Maynilad Water Services, Inc., Metro Pacific Tollways Corporation, Manila North Tollways Corporation, Philex Mining Corporation, Philex Petroleum Corporation, Landco Pacific Corporation, Medical Doctors, Inc. (Makati Medical Center), Davao Doctors, Inc. and Colinas Verdes Corporation (Cardinal Santos Medical Center), Mediaquest Holdings, Inc., and Associated Broadcasting Corporation (TV 5).

In May 2006, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula, rank of Komandante in recognition of his contributions to the country. He was named Management Man of the Year 2005 by the Management Association of the Philippines. Mr. Pangilinan was awarded Honorary Doctorates in Science by Far Eastern University in 2010, in Humanities by Holy Angel University in 2008, by Xavier University in 2007 and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School. Mr. Pangilinan is a member of the ASEAN Business Advisory Council.

In civic duties, Mr. Pangilinan sits as Chairman of the Philippine Business for Social Progress (PBSP), PLDT-Smart Foundation Inc., One Meralco Foundation, Inc., Philippine Disaster Recovery Foundation (PDRF), and is a director of the Philippine Business for Education (PBED). He is Chairman of the Board of Trustees of San Beda College and of the Holy Angel University in Panganga.

In sports, Mr. Pangilinan is Chairman of the MVP Sports Foundation Inc., President of the Samahang Basketbol ng Pilipinas and Chairman of the Amateur Boxing Association of the Philippines (ABAP).

Robert C. Nicholson [3]

Executive Director

Age 57, born in Scotland. Mr. Nicholson, who is a graduate of the University of Kent, qualified as a solicitor in England and Wales and in Hong Kong. He is an Executive Chairman of Forum Energy Plc, a Commissioner of PT Indofood Sukses Makmur Tbk and a Director of Metro Pacific Investments Corporation, FPM Power Holdings Limited, Philex Mining Corporation and Philex Petroleum Corporation, all of which are First Pacific group subsidiaries, associates or investee companies.

Mr. Nicholson is also an Independent Non-executive Director of QPL International Holdings Limited and Pacific Basin Shipping Limited. Previously, he was a senior partner of Reed Smith Richards Butler from 1985 to 2001 where he established the corporate and commercial department, and was also a senior advisor to the board of directors of PCCW Limited between August 2001 and September 2003.

Mr. Nicholson has wide experience in corporate finance and crossborder transactions, including mergers and acquisitions, regional telecommunications, debt and equity capital markets, corporate reorganizations and privatizations in China. Mr. Nicholson joined First Pacific's Board in 2003.

Edward A. Tortorici [4]

Executive Director

Age 73, born in the United States. Mr. Tortorici received a Bachelor of Science from New York University and a Master of Science from Fairfield University. Mr. Tortorici has served in a variety of senior and executive management positions, including Corporate Vice President for Crocker Bank and Managing Director positions at Olivetti Corporation of America and Fairchild Semiconductor Corporation.

Mr. Tortorici subsequently founded EA Edwards Associates, an international management and consulting firm specializing in strategy formulation and productivity improvement with offices in USA, Europe and Middle East

In 1987 Mr. Tortorici joined First Pacific as an Executive Director for strategic planning and corporate restructuring, and launched the Group's entry into the telecommunications and technology sectors. Presently, he oversees corporate strategy for First Pacific and guides the Group's strategic planning and corporate development activities. Mr. Tortorici serves as a Commissioner of PT Indofood Sukses Makmur Tbk and as Director of Metro Pacific Investments Corporation, FPM Power Holdings Limited, Philex Mining Corporation, FEC Resources Inc. of Canada and AIM-listed Forum Energy Plc. Mr. Tortorici serves as a Trustee of the Asia Society Philippines, is on the Board of Advisors of the Southeast Asia Division of the Center for Strategic and International Studies, a Washington D. C. non partisan think tank. He served as a Commissioner of the U.S. ASEAN Strategy Commission.

Napoleon L. Nazareno

Non-executive Director

Age 63, born in the Philippines. Mr. Nazareno holds a Bachelor of Science degree in Mechanical Engineering from the University of San Carlos in Cebu and a Master's degree in Business Management from the Asian Institute of Management (AIM). He has also completed the INSEAD Executive Program at the European Institute of Business Administration in Fontainebleau, France.

In 1973, Mr. Nazareno worked as an Assistant Product Manager at the Flexible Packaging Division in Phimco Industries, Inc. and in 1981, he joined the international firm Akerlund & Rausing as Acting Production Manager. In 1989, he was named President and CEO of Akerlund & Rausing (Philippines). Mr. Nazareno served as President and CEO of Metro Pacific Corporation from 1995 to 1999.

In 1998, Mr. Nazareno became President and CEO of PLDT Communications and Energy Ventures, Inc. (formerly named Pilipino Telephone Corporation, a cellular subsidiary of Smart Communications, Inc. (Smart)). He became President and CEO of Smart in 2000 and subsequently assumed the presidency at parent firm Philippine Long Distance Telephone Company in 2004, positions he continues to hold today. Mr. Nazareno is also a Director of Digital Telecommunications Philippines Inc. He also served as a board member of the GSM Association Worldwide from November 2004-2012. He joined First Pacific's Board in 2008.

Professor Edward K.Y. Chen

GBS, CBE, JP

Independent Non-executive Director

Age 68, born in Hong Kong and educated at the University of Hong Kong and Oxford University. Professor Chen is an Independent Non-executive Director of Asia Satellite Telecommunications and Wharf Holdings Limited. Professor Chen has served as President of Lingnan University; Professor and Director of the Centre of Asian Studies of the University of Hong Kong; Chairman of Hong Kong's Consumer Council; as an Executive Councillor of the Hong Kong Government; and as a Legislative Councillor. He is now a Distinguished Fellow of the Hong Kong Institute for the Humanities and Social Sciences at the University of Hong Kong, and Honorary Professor of the Open University of Hong Kong. Professor Chen joined First Pacific's Board in 1993.

Philip Fan Yan Hok

Independent Non-executive Director

Age 63, born in Hong Kong. Mr. Fan holds a Bachelor's Degree in Industrial Engineering, a Master's Degree in Operations Research from Stanford University and a Master's Degree in Management Science from Massachusetts Institute of Technology.

Mr. Fan had been an Executive Director of CITIC Pacific Limited in charge of industrial projects in China. Prior to his retirement as the Executive Director and General Manager of China Everbright International Limited, he made significant contribution to the Company's leadership position in the Chinese Waste-to-energy industry.

Mr. Fan is an Independent Non-executive Director of China Everbright International Limited, HKC (Holdings) Limited and Hysan Development Company Limited. He is also an Independent Director of Shenzhen listed Zhuhai Zhongfu Enterprise Co. Ltd., New York listed Suntech Power Holdings Co., Ltd. and Australia listed Goodman Group. Mr. Fan is a member of the Asian Advisory Committee of AustralianSuper, a pension fund established in Australia. He joined First Pacific's Board in December 2012.

Margaret Leung Ko May Yee

SBS, JP

Independent Non-executive Director

Age 60, born in Hong Kong. Mrs. Leung holds a Bachelor's Degree in Economics, Accounting and Business Administration from the University of Hong Kong. She was the Vice-Chairman and CEO of Hang Seng Bank Limited and Chairman of Hang Seng Bank (China) Limited prior to her retirement on 30 June 2012. Mrs. Leung also held various pivotal positions in HSBC Holdings Plc and The Hongkong and Shanghai Banking Corporation Limited from February 1978 until 30 June 2012. She was also an Independent Non-executive Director of the Hong Kong listed Swire Pacific Limited and Hutchison Whampoa Limited. Mrs. Leung was the Chairman of the Board of Governors of Hang Seng Management College and Hang Seng School of Commerce, and a Member of the Advisory Board and Chairman of the Investment Committee of the Hong Kong Export Credit Insurance Corporation from 2005 to 2010.

Mrs. Leung is a member of the Greater Pearl River Delta Business Council, the Board of Directors and the Finance Committee of the Hospital Authority, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR, the Advisory Committee of the Securities and Futures Commission, and the Banking Review Tribunal. She is also a council member and member of the Finance Committee of the University of Hong Kong, a court member of the Hong Kong Baptist University and the Chairman of the Executive Committee of The Community Chest of Hong Kong. Mrs. Leung is an Independent Non-executive Director of Sun Hung Kai Properties Limited. She joined First Pacific's Board in December 2012.

Graham L. Pickles

Independent Non-executive Director

Age 56, born in Australia. Mr. Pickles holds a Bachelor of Business degree (majoring in accounting). Mr. Pickles has significant experience in the distribution and technology sectors, running several distribution businesses in Asia and Australasia in the IT and telecommunications industries over a career spanning more than 20 years.

He serves as a Commissioner of PT Indofood Sukses Makmur Tbk and was appointed Chairman of Asia Pacific Brands India Limited in 2005. Mr. Pickles was previously CEO of Tech Pacific Holdings Limited, a wholly-owned subsidiary of First Pacific Company Limited until it was sold in 1997. He was also a member of the executive committee of Hagemeyer N.V. in which First Pacific had a controlling interest until 1998. Mr. Pickles joined First Pacific's Board in 2004.

Jun Tang

Independent Non-executive Director

Age 50, born in China. Mr. Tang is the Chairman and CEO of Gaotime Corporation and the Honorary President of Microsoft China Company Limited.

Mr. Tang was previously the President and CEO of New Huadu Group, and the President of Nasdaq-listed Shanda Interactive Entertainment Company Limited. He served as the President of Microsoft China from 2002 to 2004 and the General Manager of Microsoft Global Technology Center from 1997 to 2002. Mr. Tang also served as the CEO of Wicresoft, a joint venture between Microsoft and the Shanghai government established in 2002. Mr. Tang joined First Pacific's Board in 2009.

Tedy Djuhar

Non-executive Director

Age 61, born in Indonesia. Mr. Djuhar received a Bachelor of Economics degree from the University of New England in Australia. Mr. Djuhar is Vice President Commissioner of PT Indocement Tunggal Prakarsa Tbk, a Director of Pacific Industries and Development Limited, and a Director of a number of other Indonesian companies. He joined First Pacific's Board in 1981.

Benny S. Santoso

Non-executive Director

Age 55, born in Indonesia. Mr. Santoso graduated from Ngee Ann College in Singapore. He serves as a Commissioner of PT Indofood Sukses Makmur Tbk, the President Commissioner of PT Indofood CBP Sukses Makmur Tbk. PT Nippon Indosari Corpindo Tbk, a Director of PT Indocement Tunggal Prakarsa Tbk and a member of the Advisory Board of Philippine Long Distance Telephone Company. He joined First Pacific's Board in 2003.

Advisor

Soedono Salim

Honorary Chairman and Advisor to the Board

Age 97, born in China, Mr. Salim passed away last year. He served as First Pacific's Chairman from 1981 until February 1999, and became the Honorary Chairman and Advisor to the Board, until his death in June 2012.

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Senior Executives

Marilyn A. Victorio-Aquino [1]

Assistant Director

Age 57, born in the Philippines. Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude) and qualified as a barrister in the Philippines in 1981. She joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989.

Ms. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources.

She is a Director of Philex Mining Corporation, Philex Gold Philippine, Inc., Silangan Mindanao Mining Company Inc. and Lepanto Mining Corporation. Ms. Aquino joined First Pacific in July 2012.

Richard L. Beacher [2]

Executive Vice President, Group Financial Controller

Age 54, born in United Kingdom. Mr. Beacher received a BA (Hons) in Economics and Accounting from University of Newcastle Upon Tyne in the U.K. He is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Beacher moved to Hong Kong in 1984 with PriceWaterhouse and most recently served in financial positions with Hagemeyer Cosa Lieberman and latterly with Siemens Building Technologies as Global Business Line Controller. He is a Director of FPM Power Holdings Limited and a Non-executive Director of Forum Energy Plc. Mr. Beacher joined First Pacific in 2006.

Maisie M.S. Lam [3]

Executive Vice President, Group Human Resources

Age 58, born in Hong Kong. Ms. Lam received a Diploma from the Hong Kong Polytechnic University/Hong Kong Management Association. She joined First Pacific in 1983.

Joseph H.P. Ng [4]

Executive Vice President, Group Finance

Age 50, born in Hong Kong. Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Ng joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. Prior to his appointment as Executive Vice President, Group Finance in May 2002, Mr. Ng was Group Treasurer of the First Pacific Group and served in several senior finance positions within the Group. He is a Director of FPM Power Holdings Limited.

John W. Ryan [5]

Executive Vice President, Group Corporate Communications

Age 47, born in the U.K. Mr. Ryan received a Bachelor of Arts degree from the University of Connecticut and completed a Master of Philosophy course on Slavonic and East European Studies at St. Antony's College, Oxford University. He spent several years as a financial journalist, opening and leading Bloomberg's Moscow bureau for five years in the early 1990s and later joining Dow Jones as Bureau Chief over the period 1998–2004 in Moscow and Hong Kong. Mr. Ryan earlier served as Head of Corporate Communications, Asia Pacific for HSBC's wholesale bank. He joined First Pacific in 2010.

Stanley H. Yang [6]

Executive Vice President, Group Corporate Development

Age 36, born in the United States. Mr. Yang received a BSc in Economics from the Wharton School of the University of Pennsylvania. He oversees the Group's corporate development activities including mergers and acquisitions, strategic investments and other portfolio expansion initiatives. Mr. Yang most recently was a Director in the investment banking division at Deutsche Bank where he led corporate finance coverage for the diversified industrials sector in Asia. He also served as a Director in Deutsche Bank's mergers and acquisitions department, advising clients on mergers and acquisitions, divestitures and leveraged investments in Asia and previously in the United States. Mr. Yang joined First Pacific in March 2013.

Richard P.C. Chan [7]

Vice President, Group Finance

Age 43, born in Hong Kong. Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a CFA charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. Mr. Chan joined First Pacific in 1996 from KPMG.

Sara S.K. Cheung [8]

Vice President, Group Corporate Communications

Age 49, born in Hong Kong. Ms. Cheung received a BA in Business Economics from the University of California, Los Angeles and an MBA from Southern Illinois University, Carbondale. She is a member of the National Investor Relations Institute and the Hong Kong Investor Relations Association. She joined First Pacific in 1997 from the Public Affairs department of Wharf Limited and Wheelock and Company Limited.

Nancy L.M. Li [9]

Vice President, Company Secretary

Age 55, born in Hong Kong. Ms. Li received a BA from McMaster University in Canada and a MSc in Corporate Governance and Directorship from Hong Kong Baptist University. She is a Fellow of the Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries & Administrators of Great Britain. Ms. Li joined First Pacific in 1987 from the Hong Kong Polytechnic University's academic secretariat. Prior to that, she worked in the company secretarial department of Coopers & Lybrand. Ms. Li was appointed as First Pacific's Company Secretary in May 2003.

Peter T.H. Lin [10]

Vice President, Group Tax and Treasury

Age 43, born in Hong Kong. Mr. Lin received a MSc in Management Sciences from the University of Southampton and a BSc in Economics and Statistics from Coventry University. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a member of the Institute of Chartered Accountants in England and Wales and the Taxation Institute of Hong Kong. Mr. Lin joined First Pacific in 1998 from KPMG where he was a Tax Manager.

Corporate Social Responsibility Report

First Pacific Group companies continue to "Create long-term value in Asia" through our extensive and award-winning community service programs, primarily geared toward education, protecting the environment and enhancing health as well as improving livelihoods and emergency response in our home countries. The Group's companies conduct business with the highest regard for ethical responsibility while protecting and enhancing the interests of shareholders. In case of crisis or emergency, the Group's businesses have the duty to our communities to ensure that vital services such as telecommunications, power, water, hospitals, news and roads are maintained.

In 2012, the First Pacific Group established IdeaSpace Foundation, Inc. ("IdeaSpace"), a multi-million-dollar non-governmental organization to help Filipino entrepreneurs develop technologies through partnerships with global IT companies, to share and learn from our management and transform their ideas into successful commercial products.

Each of our Group companies has its own particular focus in the realm of corporate social responsibility ("CSR") and community/government relations. In the Philippines, the First Pacific Leadership Academy, IdeaSpace, and the MVP Sports Foundation join the Group's operating companies in serving local communities. The CSR Council was established in 2012, offering an integrated framework for seamless coordination that aims to:

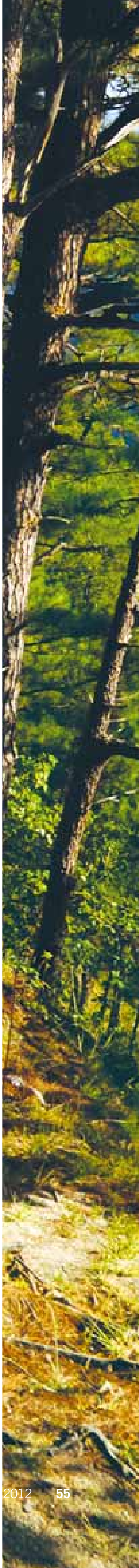
- Share information, resources and volunteers for collective impact;
- Eliminate inefficient duplication and identify synergies; and
- Present First Pacific Group companies as trusted partners in nation building in the Philippines.

The Group aligns its CSR programs to each operating company's core businesses. For example, PLDT/Smart are using their telecommunications platform to provide public service in education, health, and government; Meralco offers electrification in rural and off-grid locales; Maynilad helps blighted communities gain access to potable water; MPIC's hospitals extend medical services beyond their markets towards the less privileged sectors; MPTC and Philex primarily support the underprivileged communities where they conduct business. TV5 Foundation is geared towards assisting the general public for medical needs and responding to disaster preparedness and emergencies. All of the First Pacific Group's CSR activities in the Philippines are carried out under the brand of "Tulong Kapatid" which means "Help of a Brother".

PLDT, one of the largest corporations in the Philippines, has taken fresh initiatives to promote disaster preparedness, entrepreneurship, community-building, quality education, public health and a clean environment.

It has contributed significantly to government efforts to improve the Philippines' typhoon warning system by agreeing to co-locate 600 of the national weather agency's automated rain gauges with the cell sites of mobile phone brands Smart and Sun Cellular throughout the Philippine archipelago.

In response to the devastation caused in Southeastern Mindanao by Typhoon Pablo in December 2012, PLDT worked with First Pacific Group companies Meralco, MPIC, Maynilad and TV5 to raise over Pesos 100 million (approximately US$2.4 million) for typhoon victims. These funds were used to provide immediate relief, food aid and medical missions to the affected areas and fund the construction of homes for those displaced in the hard-hit province of Davao Oriental.



In cooperation with other Group companies, PLDT launched a major initiative to support technology start-ups in the Philippines through a national competition under the auspices of the IdeaSpace. IdeaSpace provides funding and legal, logistical and mentoring assistance to the winning start-ups and assists them in bringing their innovations to market.

In addition, PLDT has stepped up its efforts to boost information and communication technology education. As part of this initiative, it implements programs aimed at upgrading the IT skills of teachers and students; grants scholarships and training on mobile application development; and provides computers and internet connection facilities to partner communities. PLDT, through its mobile phone unit, Smart Communications, has also expanded its program on online content development through a sustained campaign on the responsible use of social media. It likewise has sustained its program of medical and dental missions, and continues the roll-out of mHealth solutions that help manage and automate the medical database of health centers in remote Philippine communities.

For its part, **MPIC** aligns its business goals in developing infrastructure by implementing its own CSR initiatives through the 3Es of the MPIC Foundation: Education, Environment and Economic empowerment. The Foundation currently provides education and support to 30 of the most deserving but least privileged children of Mano Amiga. In addition to MPIC's educational outreach and scholarships, its employees voluntarily offer coaching and inspiration to Foundation participants. Coastal and underwater cleanup campaigns and sustainable programs to promote concern for the marine environment and community growth are now in their 5th year (2013) and have received numerous distinctions from local and international award-giving bodies. MPIC's two-year Economic Empowerment program in partnership with the NGO Philippine Business for Social Progress, has established a cooperative for 25 families that aims to enhance abilities in masonry, carpentry, plumbing and electrical skills for possible contractual services within MPIC's group of companies.

In Indonesia, **Indofood's** corporate social responsibility aims to create a better life every day to its stakeholders, with the orientation on people, planet and profit. It remains focused on:

- Building human capital
- Outreach to the community
- Strengthening economic values
- Protecting the environment
- Solidarity for humanity

In addition to operating school facilities located around its plantation areas, Indofood Sukses Makmur Scholarship program provides scholarships to outstanding students of employees' children ranging from the elementary level through to university undergraduates. In 2012, approximately 3,900 children of its employees received scholarships. Through its partnership with Karya Salemba Empat Foundation, scholarships were granted to an additional 270 students with financial difficulties, who also participated in five levels of vocational training at the Indofood Leadership Camp. The Camp aims to enhance their creativity and self-confidence, while embedding discipline and love of country. All scholarship recipients also have the opportunity to learn about working procedures, systems and culture through various on-the-job training and internship programs.

Indofood Riset Nugraha ("IRN") has been ongoing since 1998, providing financial support for research in the food sector, with a focus on improving food quality and food diversification to support national food security. In 2012, IRN granted funding to 44 eligible research programs. It also provides reading center facilities, classroom development programs, assistance with computer facilities for Islamic boarding schools, teacher training programs, as well as offers of education to street children.

Indofood supports the Millennium Development Goals ("MDGs") of Reducing Child Mortality and Improving Maternal Health by partnering with the Ministry of Health and the Office of the Presidential Special Envoy to the MDGs as well as with the Global Alliance for Improved Nutrition ("GAIN"), DSM and the World Food Program ("WFP"). During the year, Indofood supported WFP's Laser Beam Project by delivering a nutrition intervention program to 10,000 malnourished infants in the eastern Indonesia area. Indofood also worked with MDG's Envoy in "Pencerah Nusantara" (Enlighting the Archipelago) program enhanced community based health services by sending more doctors and medical personnel to the community. In addition, the SUN Mobile Nutrition Service Program continues to offer health services, consultation and nutrition education for mothers and infants in local communities.

In collaboration with SIKIB (Solidarity of United Indonesia Cabinet Wives), Indofood built 20 fully-equipped and integrated "Rumah Pintar" (Smart House) in almost all plantations in Sumatera, Kalimantan and Sulawesi, as well as formulating innovative non-formal education for both children and adults.

Community outreach in 2012 included housing development and rehabilitation, and social and religious activities.

Under its program to strengthen economic value, Indofood offers partnership programs for farmers, small and medium size enterprises ("SME") in order to promote and drive sustainable economic development in local communities. Its training programs for the spouses and family members of farmers and families of its employees at plantations continued in 2012, as well as training in relation to oil palm/rubber cultivation management.

Bogasari Mitra Card, a special membership program for around 53,000 Bogasari SME partners, provides training programs, promotional support and assistance in obtaining bank loans, as well as the provision of fire, health and accident insurance.

In its environmental protection programs, Indofood supported the planting of over 11,500 trees in 2012. A total of 30 Indofood factories have been awarded environmental management ratings. Dairy waste from Indolakto factories are processed and used as livestock feed in Karawang, and oil palm shell and fibers are used as a renewable energy source by six instant noodle factories.

Indofood's solidarity for humanity programs kick into gear when disaster strikes, providing food from its kitchens to survivors as well as to officials and volunteers responding to natural disasters. In 2012, Indofood's blood donor program was supported by over 13,600 donors.

To commit to building sustainable agriculture businesses, Indofood's plantation operating units enforce:

- Zero-burning policy for land clearing during replanting and development of new plantations
- Energy conservation practices and promoting recycling of mill effluent and by-products as inorganic fertilizers
- Protecting biodiversity and preserving High Conservation Value areas

Indofood's plantation operating units are members of both the Roundtable on Sustainable Palm Oil (RSPO) and Indonesian Sustainable Palm Oil (ISPO). Approximately 28% of Indofood group's CPO production of 880 thousand tonnes in 2012 was RSPO certified. The RSPO certification contains 39 criteria and 139 indicators which are grouped under eight overriding principles listed in the table below. Indofood group is committed to working towards having all of its CPO production certified.

Summary of RSPO Principles and Criteria:

Principle	Number of Criteria	Indonesian National Interpretation Indicators	
		Major	Minor
Commitment to transparency	2	5	0
Compliance with applicable laws and regulations	3	8	4
Commitment to long-term economic and financial viability	1	1	1
Use of appropriate best practices by growers and millers	8	13	25
Environmental responsibility and conservation of natural resources and biodiversity	6	12	10
Responsible consideration of employees and of individuals and communities affected by growers and mills	11	13	23
Responsible development of new plantings	7	12	10
Commitment to continuous improvement in key areas of activity	1	1	1
Total	39	65	74

Philex's CSR programs focus on environmental management and community development. Its mining projects operate with the highest ethical business practices and occupational health and safety standards in the mining industry. Philex voluntarily suspended the operations of the Padcal mine from 1 August 2012 following an uncontrolled discharge of non-toxic water and tailings from one of the two underground tunnels that drain water from the tailings pond. Mining operations resumed on 8 March 2013 on a temporary basis for four months. Environmental studies are being conducted by third party consultants with a focus on the cleanup, and rehabilitation initiatives are ongoing. Philex's efforts also include the implementation of medium- and long-term activities to rehabilitate and improve the ecosystems of the affected areas at the Balog Creek and Agno River.

With a goal of leaving a better environment upon the closing of its mining projects, the company makes a long-term commitment to environmental management and protection. In addition to management of the mine, milling, and tailings impoundment facilities, the programs also cover the conservation of water and watershed, and the forests within its tenement areas. Since 1989, Philex has planted over 7.5 million trees on 2,290 hectares at the Padcal mine. It has been awarded the "Best in Mining Forest" at the Annual National Mine Safety and Environment Conference in the Philippines a total of 10 times.

Philex has an excellent record of supporting the communities it is a part of. The relationship with community members, indigenous peoples and local government units is crucial to maintaining sustainability. To this end, Philex's education programs include building and improving school facilities, financing educational scholarships and vocational training. In 2012, over 4,500 students from elementary to college level received either scholarships or subsidies from the programs.

Philex's Health Care Program at the Padcal mine provides free basic health services to approximately 6,200 patients from the community. Over 8,000 community members around the Silangan project area benefitted from Philex's healthcare services.

Philex's Livelihood and Employment Enhancement Program aims to develop self-reliant communities by providing technical and financial assistance in agroforestry, natural farming, coffee production and livestock-raising.

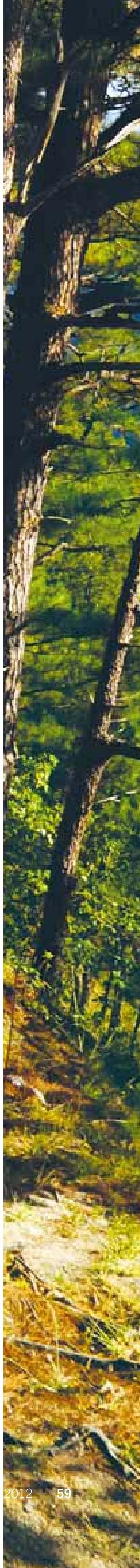
Its Public Infrastructure programs cover stabilizing slopes and erosion prevention, as well as construction and enhancement of schools, churches, farm-to-market infrastructure, foot bridges, road drainage, water systems and flood prevention.

At the Head Office level in 2012, **First Pacific** provided support for:

- Hope for Children
- Scholarships at Lingnan University
- Scholarship scheme of the Hong Kong Management Association

First Pacific conducts recycling of paper waste and energy conservation where applicable.

First Pacific Head Office and its operating companies engage in continuous CSR programs as well as ad hoc response to emergencies and natural disasters. Senior executives are responsible for ensuring that their businesses provide regular funding and support for the CSR activities within the communities they serve and operate in.



Corporate Governance Report

Governance Framework

First Pacific is committed to building and maintaining high standards of corporate governance. During the year ended 31 December 2012, the Company has carried out a review of its corporate governance practices involving one of its Independent Non-executive Directors (INEDs) to ensure compliance with the Listing Rule amendments. The Company has also established a new Corporate Governance Committee comprising of a majority of INEDs and chaired by an INED. The Corporate Governance Committee will have the responsibility for supervision of the Company's corporate governance functions.

The Company has revised its own Corporate Governance Code (the First Pacific Code), which incorporates the principles and requirements set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Main Board Listing Rules) and the Corporate Governance Code (CG Code) (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012).

Throughout the current financial year, First Pacific has applied these principles and complied with all Code Provisions and, where appropriate, adopted the Recommended Best Practices, with the following exceptions:–

Code Provision A.6.7: INEDs and non-executive directors should attend general meetings.
Code Provision E.1.2: The chairman of the board should attend general meetings.

Mr. Anthoni Salim (Chairman of the Board), Mr. Benny S. Santoso (Non-executive Director), Mr. Tedy Djuhar (Non-executive Director) and Dr. Christine K.W. Loh (INED), were unable to attend the Company's annual general meeting held on 31 May 2012 due to important engagements.

Recommended Best Practice B.1.8: Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports.

The Company does not disclose such information as a large number of the senior executives employed by the Group are employed in jurisdictions that do not require disclosure of such information.

Recommended Best Practices C.1.6 and C.1.7: An issuer should announce and publish quarterly financial results within 45 days after the end of the relevant quarter.

The Company does not issue quarterly financial results as most of our major operating units based in the Philippines, Indonesia and Singapore already issue quarterly reports. As such, we believe that the relevant information is already available in the public domain.

Board of Directors

The Company is led and controlled through the Board which comprised 12 Directors as at 31 December 2012 and they are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board has a balance of skill and experience appropriate for the requirements of the Group's businesses. At 31 December 2012, three of the Directors are Executive and nine of the Directors are Non-executive, of whom five are Independent. The Company has received annual confirmations of independence from Mr. Graham L. Pickles, Prof. Edward K.Y. Chen, Mr. Jun Tang, Mrs. Margaret Leung Ko May Yee and Mr. Philip Fan Yan Hok respectively.

On 19 March 2013, the Nomination Committee held a meeting to assess the annual confirmation of independence received from each of the INEDs having regard to the criteria as set out in Rule 3.13 of the Listing Rules. As a good corporate governance practice, every Nomination Committee member abstained from assessing his own independence.

Consideration was given to Prof. Chen who has served on the Board for more than 19 years. Prof. Chen has extensive knowledge and experience in the governmental, academic and commercial sectors, He also acts as an independent non-executive director for other listed companies in Hong Kong. During his years of service, Prof. Chen continues to demonstrate strong independence in judgment and is free from any business or other relationship with the Company which could interfere with his ability to discharge his duties effectively. Notwithstanding his years of service, the Board is of the view that Prof. Chen is able to continue to fulfill his role as an INED, and he is therefore considered as independent.

The Nomination Committee affirmed that all the other INEDs continued to demonstrate strong independence in judgment and were free from any business or other relationship which could interfere with their ability to discharge their duties effectively, and they are therefore considered as independent. Each INED is required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may affect his or her independence. No such notification was received during 2012.

All Directors do not have any financial, business, family, or other material/relevant relationship with each other. Non-executive Directors (including INEDs) have the same duties of care and skill and fiduciary duties as Executive Directors. The biographies of the Directors are set out on pages 48 to 51.

The Board usually meets formally at least four times a year to review operational performance and financial plans, monitors the implementation of strategy and any other significant matters that affect the operations of the Group, and approves matters specifically reserved to the Board for its decision. Dates of the regular board meetings are scheduled in the prior year (subject to amendment) to provide sufficient notice to Directors enabling them to attend. For special board meetings, reasonable notice is given. Apart from attending the scheduled meetings, all Directors used their best endeavors to attend ad-hoc meetings, even on short notice, or participate by teleconference.

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. In December 2012, two of our INEDs, Prof. Edward K.Y. Chen and Mr. Graham L. Pickles, spent three days in the Philippines with Executive Directors (Mr. Manuel V. Pangilinan, Mr. Edward A. Tortorici and Mr. Robert C. Nicholson) and a locally based Non-executive Director (Mr. Napoleon L. Nazareno), in order to gain a better understanding of the businesses based in the Philippines. On the first day, they visited the PLDT-Smart JUMP Experience Centre, which is a showcase of the latest mobile phones and tablets, services and technologies offered by the PLDT Group. They also met with the senior management of Meralco, PLDT and MPIC, participated in a gift-giving activity for school children who visited the Meralco Christmas village, and joined the Christmas party organized by the major operating companies in the Philippines. On the second day, the two INEDs visited the Rizal Medical Center, which is the first public-private partnership project with Makati Medical Center, one of the MPIC group of hospitals, followed by an aerial tour of Maynilad‘s facilities, the MPTC toll road system and the North Luzon Expressway System. After landing at Segment 9 of the toll road system, the INEDs visited the command center of the North Luzon Expressway and were informed of the future plans for MPTC. Finally, the INEDs joined our Executive Directors for a visit to the Padcal mine and inspected the major construction work being done on Tailings Pond No. 3 and the new spillway, as well as the rehabilitation work being done on the Balog Creek.

Directors are consulted as to matters to be included in the agenda for regular board meetings. Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable rules and regulations, are followed. Adequate and appropriate information, in the form of agendas, board papers and related materials, are prepared and provided to the Directors prior to the scheduled dates for the Board meetings in a timely manner. Minutes of the Board meetings and meetings of the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and other Board Committees are kept by the Company Secretary. Minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Minutes of the Board meetings and Board Committee meetings have been recorded in sufficient details the matters considered by the Board and the Board Committees, decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board meetings and meetings of the Board Committees are sent to all Directors for their comments and records respectively within a reasonable time after the meeting. The Executive Directors, led by the Managing Director and Chief Executive Officer, are responsible for the day-to-day management of the Company's operations. In addition, there are regular meetings with the senior management of subsidiary and associated companies, at which operating strategies and policies are formulated and communicated.

The Company has established a policy enabling all Directors to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board will provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/her/their duties to the Company as and when requested or necessary.

Currently, the Company has arranged directors and officers' liability insurance for a total liability limit of US$40 million, renewable annually in May of each year. The underwriters are Chartis Insurance Hong Kong Limited, ACE Insurance Limited, Federal Insurance Company, Liberty International Underwriters and Allied World Assurance Company, Ltd, who are all specialists in the Directors' and Officers' liability insurance market.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall not be dealt with by way of circulation of written resolutions or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting shall be held. A majority of the INEDs who, and whose associates, have no material interest in the transaction shall be present at such Board meeting.

Currently, Mr. Anthoni Salim is the Chairman of the Company and Mr. Manuel V. Pangilinan is the Managing Director and Chief Executive Officer of the Company. Accordingly, the roles of the chairman and chief executive officer of the Company are segregated and are not exercised by the same individual. The division of responsibilities between the chairman and the chief executive officer of the Company are set out in the First Pacific Code.

In accordance with the Company's bye-laws and the First Pacific Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election at the AGM.

At the Company's 2012 AGM, Mr. Anthoni Salim, who had been longest in office since his appointment, together with Mr. Tedy Djuhar, retired by rotation but being eligible, offered themselves for re-election. Mr. Anthoni Salim was re-elected for a fixed term of approximately three years, commencing on the date of the 2012 AGM and expiring at the conclusion of the Company's AGM to be held in the third year following the year of his re-election (being 2015). Mr. Tedy Djuhar was re-elected for a fixed term of approximately one year, commencing on the date of the 2012 AGM and expiring at the conclusion of the Company's AGM to be held one year following the year of his re-election (being 2013).

During the year, Mr. Ibrahim Risjad, our founder Non-executive Director, passed away on 16 February 2012 at the age of 77. Our Honorary Chairman and Advisor to the Board, Mr. Soedono Salim, passed away on 10 June 2012 at the age of 97. Dr. Christine K.W. Loh resigned as an INED of the Company on 12 September 2012 due to her appointment as Under Secretary for the Environment of Hong Kong. On 21 December 2012, Mrs. Margaret Leung Ko May Yee and Mr. Philip Fan Yan Hok were appointed as new INEDs of the Company.

As a decentralized organization in which local management have substantial autonomy to run and develop their businesses, the Group views well developed reporting systems and internal controls as essential. The Board plays a key role in the implementation and monitoring of internal financial controls. Their responsibilities include:

- conducting regular board meetings to focus on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiary and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the compliance with applicable laws and regulations, and also with corporate governance policies;
- monitoring the quality, timeliness, and content of internal and external reporting; and
- monitoring risks and the effectiveness of internal controls

During 2012, there were four physical Board meetings and one teleconference and those Directors who attended the physical Board meetings and teleconference are set out below.

	Number of Board Meetings Attended	
	Physical	Teleconference
Chairman		
Anthoni Salim	3/4	0/1
Executive Directors		
Manuel V. Pangilinan, *Managing Director and CEO*	4/4	1/1
Edward A. Tortorici	4/4	1/1
Robert C. Nicholson	4/4	1/1
Non-executive Directors		
Benny S. Santoso	4/4	1/1
Napoleon L. Nazareno	4/4	1/1
Tedy Djuhar	4/4	1/1
Ibrahim Risjad(i)	N/A	N/A
INEDs		
Graham L. Pickles	4/4	0/1
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	4/4	0/1
Jun Tang	4/4	1/1
Margaret Leung Ko May Yee, *SBS, JP*(ii)	N/A	N/A
Philip Fan Yan Hok(ii)	N/A	N/A
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite*(iii)	3/3	N/A

(i) Mr. Ibrahim Risjad passed away on 16 February 2012.
(ii) Mrs. Margaret Leung Ko May Yee and Mr. Philip Fan Yan Hok were appointed as INEDs with effect from 21 December 2012.
(iii) Dr. Christine K.W. Loh resigned from the Board with effect from 12 September 2012.

Audit Committee

The Audit Committee is currently comprised of all Non-executive Directors, three of whom are INEDs, with Mr. Graham L. Pickles, who possesses appropriate professional qualifications and experience in financial matters, acting as chairman of the Audit Committee. This is in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee's written terms of reference, which describe its authorities and duties, are regularly reviewed and updated by the Board. Reporting to the Board, the Audit Committee reviews matters within the purview of audit, such as financial statements and internal controls, to protect the interests of the Company's shareholders. The Audit Committee also performs an independent review of the interim and annual financial statements.

The Audit Committee meets regularly with the Company's external auditors to discuss the audit process and accounting issues, and reviews the effectiveness of internal controls and risk evaluation. Special meetings are also convened, where appropriate, to review significant financial or internal control issues. During 2012, there were two Audit Committee meetings and those Audit Committee members who attended are set out below.

	Number of Meetings Attended
Graham L. Pickles	2/2
Prof. Edward K. Y. Chen, *GBS, CBE, JP*	2/2
Jun Tang [(i)]	2/2
Benny S. Santoso	2/2
Margaret Leung Ko May Yee, *SBS, JP* [(ii)]	N/A

(i) Mr. Jun Tang ceased to be a Member of the Audit Committee with effect from 19 March 2013.

(ii) Mrs. Margaret Leung Ko May Yee was appointed as a Member of the Audit Committee with effect from 19 March 2013.

Remuneration Committee

The Remuneration Committee, which comprises a majority of INEDs, with Prof. Edward K.Y. Chen (who acts as the chairman), Mr. Graham L. Pickles and Mr. Manuel V. Pangilinan as members, has specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee have included the specific duties set out in paragraphs B.1.3(a) to (j) of the First Pacific Code, with appropriate modifications where necessary. The Remuneration Committee will determine, with delegated responsibility, the remuneration package of individual Executive Directors and senior management, which will include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The Remuneration Committee makes recommendations to the Board regarding the remuneration of the Executive Directors, senior executives and the fees and emoluments of Non-executive Directors, based on advice from compensation and benefits consultants. No Director or any of his associates is involved in deciding his own remuneration. During 2012, two meetings of the Remuneration Committee were held and those Remuneration Committee members who attended are set out below.

	Number of Meetings Attended
Prof. Edward K. Y. Chen, *GBS, CBE, JP*	2/2
Mr. Graham L. Pickles	2/2
Mr. Manuel V. Pangilinan	2/2

Nomination Committee

The Nomination Committee is currently comprised of a majority of INEDs, and chaired by an INED. It has specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee have included the specific duties set out in paragraphs A.5.2 (a) to (d) of the First Pacific Code, with appropriate modifications, where necessary.

The Nomination Committee performs the following duties:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- establishes recruitment, selection and nomination strategies to attract the right individuals to become Executive Directors, Non-executive Directors or INEDs; and
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The selection of individuals to become Executive or Non-executive Directors (including INEDs) is based on assessment of their professional qualifications and experience. During 2012, one meeting of the Nomination Committee was held and those Nomination Committee members who attended are set out below.

	Number of Meetings Attended
Anthoni Salim	1/1
Prof. Edward K. Y. Chen, *GBS, CBE, JP* (i)	1/1
Graham L. Pickles	1/1
Mr. Jun Tang (i)	1/1
Dr. Christine K.W. Loh, *JP, OBE, Chevalier de l'Ordre National du Merite* (ii)	N/A
Philip Fan Yan Hok (iii)	N/A

(i) Prof. Edward K.Y. Chen and Mr. Jun Tang ceased to be Members of the Nomination Committee with effect from 19 March 2013.
(ii) Dr. Christine K.W. Loh resigned from the Board with effect from 12 September 2012.
(iii) Mr. Philip Fan Yan Hok was appointed as a Member and Chairman of the Nomination Committee with effect from 19 March 2013.

Corporate Governance Committee

During the year, the Company established a Corporate Governance Review Committee involving one of its INEDs and held one meeting in 2012 in order to carry out a review of its corporate governance practices to ensure compliance with the Listing Rule amendments. As a consequence of the review, the Company established a new Corporate Governance Committee comprising of a majority of INEDs and chaired by an INED. The Corporate Governance Committee will have the responsibility for supervision of the Company's corporate governance functions.

During 2012, the new Corporate Governance Committee did not hold any meeting and the current members of the Committee are Mrs. Margaret Leung Ko May Yee (Chairman), Prof. Edward K.Y. Chen, Mr. Philip Fan Yan Hok and Mr. Robert C. Nicholson.

Directors' Service Contract

No Director has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Model Code for Securities Transactions

Having made specific enquiry, the Company can confirm that all of the Directors have complied with the Company's code of conduct regarding directors' securities transactions, prepared and adopted on terms no less exacting than the required standard set out in the Model Code.

Financial Reporting

In order to enable the Directors to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects to its shareholders, financial reports with adequate information and explanations are prepared by the Company's management to the Board on a timely and regular basis.

Directors' Responsibility for the Financial Statements

The Hong Kong Companies Ordinance requires the Directors to prepare financial statements for each financial year that give a true and fair view of the Company's state of affairs as at the end of the financial year and of its profit or loss for the year then ended. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;
- state the reasons for any significant departure from the relevant accounting standards; and
- prepare the financial statements on a going concern basis, unless it is not appropriate to presume that the Company will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Training

The Board was informed of updates of current Listing Rules, accounting practices and disclosure requirements as and when necessary.

The Directors understand the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. During the year ended 31 December 2012, certain Directors attended external seminars on topics relevant to their duties as Directors. The Company organized a training session on 29 August 2012 on current corporate governance practices and effective risk management and internal controls, which was presented by two accounting firms.

During 2012, all Directors have been required to provide the Company with their training records on an annual basis, and such records are maintained by the Company Secretary for regular review by the Corporate Governance Committee.

Voting by Poll

The Company's shareholders are adequately informed of the procedures for and their rights to demand voting by poll in shareholders' meetings at which their approvals are sought through disclosure in the Company's circulars. All voting at general meetings are conducted by poll.

At the 2012 AGM, the chairman demanded a poll on all resolutions. The procedures for demanding a poll by the shareholders were incorporated in the AGM circular sent to the shareholders in the time stipulated. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong Branch Registrar, was engaged as scrutineer to ensure the votes were properly counted.

Auditors' Remuneration

An analysis of auditors' remuneration in respect of audit and non-audit services is as follows:

US$ millions	**2012**	2011
Auditors remuneration		
– Audit services	**3.7**	4.9
– Non-audit services[i]	**0.3**	0.2
Total	**4.0**	5.1

(i) Pertains to due diligence, review of continuing connected transactions and other transactions relating to the Group's business development

Company Secretary

All Directors have access to the advice and services of the Company Secretary, who is an employee of the Company and reports to the Executive Directors on board governance matter. She is responsible for ensuring that the board procedures are followed and for facilitating communications among Directors as well as with shareholders and management.

The Company Secretary's biography is set out in the Board of Directors and Senior Management section of the 2012 Annual Report. During 2012, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

Remuneration Policy

Details of Directors' remuneration for the year are set out in Note 34(A) to the Consolidated Financial Statements. The remuneration of senior executives, including Directors, consists of the following:

Salary and Benefits

Salary reflects an executive's experience, responsibility and market value. Increases are based on effective management of the Company and on increased responsibility. Benefits principally comprise housing allowance, educational support and health care, and are consistent with those provided by comparable companies.

Bonus and Long-term Incentives
Bonuses are based on the achievement of individual performance targets, and do not necessarily correlate with annual profit movements. Long-term incentives comprise monetary payments, share options and/or share awards that link reward to the achievement of pre-determined objectives. The value of the long-term incentive offered to each executive is related to job grade and contribution to the management of the business.

Fees
It is the Company's policy that it pays no fees to the Company's Executive Directors.

Pension Contributions
The Company operates defined contribution schemes, in respect of which contributions are determined on the basis of basic salaries and length of service.

Share Options
Share options are granted to certain Directors and senior executives as part of the long-term incentive arrangements. Details of the Company's share options granted to Directors and senior executives are set out in Note 34(D)(a) to the Consolidated Financial Statements.

Communications with Shareholders

First Pacific encourages an active and open dialogue with all of its shareholders; private and institutional, large and small. The Board acknowledges that its role is to represent and promote the interests of the Company as a whole and that its members are accountable to shareholders for the performance and activities of the Company. As such First Pacific is always responsive to the views and requests of its shareholders.

A Shareholders Communication Policy is in place to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The policy is regularly reviewed to ensure its effectiveness and is posted on the Company's website.

The formal channels of communicating with shareholders are the annual and interim reports, press releases, published announcements, shareholders' circulars and the AGM. The annual and interim reports seek to communicate, both to shareholders and the wider investment community, developments in the Company's businesses. In addition, the annual report sets out strategic goals for the coming year and management's performance against predetermined objectives are reported and assessed. All of these initiatives are designed to better inform shareholders and potential investors about the Company's activities and strategic direction.

The AGM is the principal forum for formal dialogue with shareholders, where the Board is available to answer questions about specific resolutions being proposed at the meeting and also about the Group in general. In addition, where appropriate, the Company convenes an SGM to approve transactions in accordance with the Listing Rules and the Company's corporate governance procedures. These provide further opportunities for shareholders to comment and vote on specific transactions.

At the 2012 AGM, a separate resolution was proposed by the chairman in respect of each separate resolution, including proposals relating to re-election of the retiring Directors and the fixing of remuneration of the Non-executive Directors (including the INEDs) of the Company.

In order to promote effective communication, the Company also maintains a website (www.firstpacific.com) which includes past and present information relating to the Group and its businesses.

Continuing Connected Transactions

During the year, in relation to the following continuing connected transactions, the Directors (including the INEDs) approved the transactions and their disclosure in the form of published announcements:

- 20 January 2012 announcement: entering into of (1) framework agreement between Maynilad Water Services, Inc. (Maynilad) and D.M. Consunji, Inc. (Consunji) in relation to the provision of construction services by Consunji to Maynilad; and (2) renewal of a lease contract between Maynilad and DMCI Project Developers, Inc.

- 30 August 2012 announcement: increase in the annual caps for 2012 and 2013 in respect of the existing Insurance Policies transactions for the Indofood Group.

I. Details of those continuing connected transactions relating to the Indofood Group, which are required to be specified by Rule 14A.45 of the Listing Rules are set out below:

A. Transactions relating to the Noodles Business of the Indofood Group

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2012 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
PT Indofood Sukses Makmur Tbk (ISM)/ PT Indofood CBP Sukses Makmur Tbk (ICBP)	De United Food Industries Ltd. (Dufil), an associate of Mr. Anthoni Salim	(1) Trademark licensing for the exclusive use by Dufil of the "Indomie" trademark owned by ISM in the Nigerian market, and provision of related technical services in connection with Dufil's instant noodle manufacturing operations in Nigeria; and (2) the sale and supply of food ingredients, noodle seasonings and packaging used for the production of instant noodles	1 January 2011	31 December 2013	32.5
ISM/ICBP	Pinehill Arabian Food Ltd. (Pinehill), an associate of Mr. Anthoni Salim	(1) Trademark licensing for the exclusive use by Pinehill of the "Indomie", "Supermi" and "Pop Mie" trademarks owned by ISM in certain countries in the Middle East; (2) provision of related technical services in connection with Pinehill's instant noodle manufacturing operations in certain countries in the Middle East; and (3) the sale and supply of food ingredients, noodle seasonings and packaging used for the production of instant noodles	1 January 2011	31 December 2013	70.9
ISM/ICBP	Salim Wazaran Brinjikji Co. (SAWAB Group), an associate of Mr. Anthoni Salim	(1) Trademark licensing for the non-exclusive use by the SAWAZ Group of the "Indomie" trademark owned by ISM in certain countries in the Middle East and Africa; (2) provision of related technical services in connection with the SAWAZ Group's instant noodle manufacturing operations in certain countries in the Middle East and Africa; and (3) the sale and supply of food ingredients, noodle seasonings and packaging used for the production of instant noodles	1 January 2011	31 December 2013	5.5
Aggregated transaction amount					**108.9**

B. Transactions relating to the Plantations Business of the Indofood Group

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2012 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
PT Salim Ivomas Pratama Tbk (SIMP)	PT Adithya Suramitra (ADS), an associate of Mr. Anthoni Salim	SIMP entered into a 20-year lease contract with ADS for the use of land property which is the factory site of SIMP	1 June 1996	31 May 2016	0.1
SIMP and its subsidiaries	PT Sarana Tempa Perkasa (STP), an associate of Mr. Anthoni Salim	STP provides pumping services to SIMP and its subsidiaries to load crude palm oil (CPO) and its derivative products to the shipping vessels	1 January 2011	31 December 2013	0.5
SIMP and its subsidiaries	PT Rimba Mutiara Kusuma (RMK), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries purchase heavy equipment and building materials from RMK, rent trucks, office space, buildings and heavy equipment from RMK and use transportation services from RMK	1 January 2011	31 December 2013	0.5
SIMP and its subsidiaries	IndoInternational Green Energy Resources Pte. Ltd. (IGER Group), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries provide research services, sale of seeds, lease of office space to IGER Group, and purchase fresh fruit bunches/CPO/palm kernel from IGER Group	1 January 2011	31 December 2013	6.9
PT Lajuperdana Indah (LPI)	PT Indotek Konsultan Utama (IKU), an associate of Mr. Anthoni Salim	IKU provides consultancy services to LPI on specific technical aspect in respect of project development	1 January 2011	31 December 2013	–
ISM and its subsidiaries	LPI an associate of Mr. Anthoni Salim	Indofood and its subsidiaries purchase sugar from LPI	–	–	–
SIMP	PT Fast Food Indonesia, Tbk (FFI), an associate of Mr. Anthoni Salim	SIMP sells deep frying oil to FFI	1 January 2011	31 December 2013	4.8
ISM	LPI, an associate of Mr. Anthoni Salim	ISM has agreed to grant an exclusive license to LPI to use, manufacture, sell, distribute, advertise and promote its sugar products under ISM's "INDOSUGAR" trademark in Indonesia	22 March 2011	31 December 2013	0.6
SIMP	Shanghai Resources International Trading, Co. Ltd. (Shanghai Resources)	SIMP sells palm oil products, such as margarine and shortening to Shanghai Resources	14 February 2011	31 December 2013	11.1
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consultancy services to ISM and its subsidiaries which was related to the plantations business	31 October 2011	31 December 2013	–
Aggregated transaction amount					**24.5**

C. Transactions relating to the Insurance Policies of the Indofood Group

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2012 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
ISM and its subsidiaries	PT Asuransi Central Asia (ACA), an associate of Mr. Anthoni Salim	ACA provides vehicle, property and other assets insurance services to ISM and its subsidiaries	1 January 2011	31 December 2013	3.9
ISM and its subsidiaries	PT Central Asia Raya (CAR), an associate of Mr. Anthoni Salim	CAR provides personal accident and health insurance coverage to ISM and its subsidiaries	1 January 2011	31 December 2013	2.5
ISM and its subsidiaries	PT Indosurance Broker Utama (IBU), an associate of Mr. Anthoni Salim	IBU provides insurance services to ISM and its subsidiaries	1 January 2011	31 December 2013	0.6
Aggregated transaction amount					**7.0**

D. Transactions relating to the Packaging Business of the Indofood Group

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2012 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
PT Surya Rengo Containers (SRC)	PT Pepsi Cola Indobeverages (PCIB), an associate of Mr. Anthoni Salim	SRC sells carton box packaging to PCIB for product packaging	1 January 2011	31 December 2013	1.4
ICBP	PCIB, an associate of Mr. Anthoni Salim	ICBP sells lids to PCIB for product packaging	1 January 2011	31 December 2013	0.6
SRC	FFI, an associate of Mr. Anthoni Salim	SRC sells carton packaging to FFI	22 March 2011	31 December 2013	0.1
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consultant services to ISM and its subsidiaries which was related to the packaging business	31 October 2011	31 December 2013	0.0
Aggregated transaction amount					**2.1**

E. Transactions relating to the Distribution Business of the Indofood Group

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2012 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
PT Indomarco Adi Prima (IAP)	PT Lion Superindo (LS), an associate of Mr. Anthoni Salim	IAP distributes various consumer products to LS	1 January 2011	31 December 2013	12.0
IAP	PT Buana Distrindo (BD), an associate of Mr. Anthoni Salim	As a sub-distributor of BD, IAP purchases PCIB products in can, cup and PET packaging for sale to its trade outlets in Indonesia	1 January 2011	31 December 2013	35.5
IAP	FFI, an associate of Mr. Anthoni Salim	IAP sells sauces, seasonings and dairy products to FFI	3 January 2011	31 December 2013	2.7
PT Putri Daya Usahatama (PDU)	LS, an associate of Mr. Anthoni Salim	PDU distributes various consumer products to LS	1 January 2011	31 December 2013	1.2
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consultant services to ISM and its subsidiaries which was related to the distribution business	31 October 2011	31 December 2013	–
Aggregated transaction amount					**51.4**

F. Transactions relating to the Flour Business of the Indofood Group

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		Transaction amount for the year ended 31 December 2012 (US$ millions)
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	
Bogasari Flour Mills division of ISM (Bogasari)	PT Nippon Indosari Corpindo Tbk (NIC), an associate of Mr. Anthoni Salim	Bogasari sells flour to NIC	1 January 2011	31 December 2013	20.1
Bogasari	FFI, an associate of Mr. Anthoni Salim	Bogasari sells flour and spaghetti to FFI	1 January 2011	31 December 2013	0.9
Bogasari	PT Tarumatex (Tarumatex), an associate of Mr. Anthoni Salim	Bogasari rents warehouse from Tarumatex	31 October 2011	31 December 2013	0.0
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consultant services to ISM and its subsidiaries which was related to the flour business	31 October 2011	31 December 2013	0.0
Aggregated transaction amount					**21.0**

II. Details of those continuing connected transactions entered into between Maynilad and DMCI Holdings Inc. (DMCI), which are required to be specified by Rule 14A.45 of the Listing Rules are set out below:

Parties to the agreement/arrangement					
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement From	To	Transaction amount for the year ended 31 December 2012 (US$ millions)
Maynilad	D.M. Consunji, Inc. (Consunji), a subsidiary of DMCI	Consunji provided engineering, procurement and construction services to Maynilad	20 January 2012	31 December 2014	26.1
Maynilad	DMCI Project Developers, Inc. (DMCIPD), a subsidiary of DMCI	Lease agreement entered between Maynilad and DMCIPD	1 February 2012	31 January 2015	0.1
Aggregated transaction amount					**26.2**

In respect of the financial year ended 31 December 2012, each of the continuing connected transactions has been subject to annual review by the INEDs of the Company pursuant to Rule 14A.37 of the Listing Rules and confirmation of the auditors of the Company pursuant to Rule 14A.38 of the Listing Rules.

The INEDs of the Company have concluded that each continuing connected transaction has been entered into:

- in the ordinary and usual course of business of the Company;
- either on normal commercial terms or, in those instances where there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Indofood group or to Maynilad than terms available to or from (as appropriate) independent third parties;
- in accordance with the relevant agreement governing them, or the relevant written memorandum recording their terms subject to an exception related to the granting of extension of payment terms to connected parties in settlement of invoices; and
- on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to SEHK.

Internal Control and Risk Management

The Board is responsible for maintaining an adequate system of internal controls in the Group and reviewing their effectiveness through the Audit Committee.

The Company does not have an internal audit department. The internal audit and risk management functions of the Group is achieved principally through the assurance provided to the Company's Audit Committee by the respective operating companies' audit committee based on their review of the works performed by their internal audit and/or risk management teams. In addition, the Company's management closely supervises and monitors the operating and financial activities of the operating companies.

Each of the operating companies has its own management team responsible for the implementation of an effective internal control system for operational, financial and compliance controls and risk management functions. Their effectiveness is continuously being evaluated and enhanced by the respective operating companies' internal audit and/or risk management teams and audit committee and regularly reviewed by the Company's Audit Committee.

The key controls and risk management measures undertaken by the operating companies are summarized below:

Operational Controls

- The Executive Directors actively participate on the boards of the operating companies and manage their operating and financial activities, which includes attending their board meetings, approving their annual budgets, and monitoring of their compliance with applicable laws and regulations and quality of internal and external reportings.
- Prior to the investments in new businesses, extensive due diligence regarding the operational, financial, regulatory aspects and risk management of the concerned businesses are conducted. Risks to investments returns are calibrated and specific measures to manage these risks are also determined.
- Quality and timely monthly management reports and quarterly board papers or financial packages, with proper analysis of actual operational and financial performance against budgets, forecasts and prior periods, are prepared and reviewed by the operating companies' management and submitted to their directors.
- The management teams of operating companies continuously evaluate the performances of their businesses and provide periodical operational and financial reforecasts to the Executive Directors for their review.
- The Executive Directors review monthly management reports and conduct regular meetings with the management teams of operating companies to communicate on their businesses' actual operational and financial performances against budgets and forecasts, and business risks and strategies.
- To increase the awareness of maintaining internal corporate justice, whistleblowing policies and procedures are in place in certain operating companies, which provides employees with clearly defined processes to report concerns to their audit committees about any suspected misconduct, malpractice or irregularity which he/she has become aware of or genuinely suspects that the operating companies has been involved.

Financial Controls

- The management in each of the operating companies manages and ensures the optimal capital structure of its company is maintained. Information about the Group's capital management is set out in Note 37(A) to the Consolidated Financial Statements.
- The finance and treasury teams in each of the operating companies undertake the management of the financial risks of foreign exchange, interest rate, liquidity and commodity. Information about the Group's management of its financial risks is set out in the "Financial Review – Financial Risk Management" section and Note 37(B) to the Consolidated Financial Statements.

Compliance Controls

- The Corporate/Company Secretary and legal team in each of the operating companies undertake the monitoring of compliance with relevant laws, rules and regulations. In some of the regulated businesses, specific regulatory management groups with experienced personnel are established to mitigate risk arising from potential differences with regulators in the interpretation of the relevant laws, rules and regulations.
- The financial reporting team and audit committee in each of the operating companies ensure that the financial statements of their companies prepared comply with the relevant financial reporting and accounting standards and regulatory requirements, and based on suitable accounting policies as well as prudent and reasonable judgments and estimates.
- The treasury team in each of the operating companies undertakes the monitoring of compliance with relevant covenants for borrowings.

Risk Management

- To ensure effective implementation of internal controls, risk management processes are conducted according to the operating companies' prescribed risk management policies and procedures, based on carefully defined risk management framework for the effective management of risks at all levels across all operating and functional units in the operating companies.
- Telecommunications – PLDT's risk management team continuously implement its standard risk management process to address the key identified risks for 2012 relating to market dynamics, regulatory challenges, people, fast pace of technological change, potential points of failure in the network and information technology (IT) structure, corporate and capital structure, information security, hazards, new investments and vendor-related concerns. The measures which they used to ensure all of these risks are managed properly include the modernization and enhancement of the network and IT systems, and the institution of a centralized Business Continuity Committee to address possible business disruptions due to natural and man-made hazards.
- Infrastructure – MPIC identifies the key potential risks specific to its businesses and address them accordingly, which include working on alternative water sources and development of water treatment plant to secure water supply for Maynilad, carefully choosing projects for MPTC by reference to traffic density, competing routes, demographic changes and other relevant factors, and comprehensive studies of the target market and scaling of improvements towards the patients' ability to pay for MPIC's hospital business. Meralco has annual strategies and conducts self-assessments to evaluate potential risks and their likely impact on its business.

- Consumer food products – To mitigate the main risks that may potentially result in significant impact on the sustainability of Indofood's operations, such as reputation risks related to food safety issues, risks arising from raw material price fluctuations and more intense competition, Indofood consistently ensure that the products are manufactured through hygienic processing, organize its businesses into commodity and non-commodity lines, monitors market development in their industry, enhance the quality of their products, as well as product innovation to meet the trends in consumer preferences and conducts various well targeted marketing activities to maintain their positions in the markets.
- Natural resources – Risk management programs are undertaken by Philex to mitigate or eliminate identified physical, social-ecological and economic risks inherent in its business while ensuring productive and profitable operations.
- Risk assessments are conducted regularly by each operating company's management team and reported to its audit committee and board of directors. The audit committees of the operating companies meet with internal and external auditors as well as the operating companies' management teams regularly to communicate on the issues regarding the operating companies' internal controls in order to ensure accuracy of risk assessment reports and proper implementation of the reported risk mitigation strategies and controls.

During the year ended 31 December 2012, the Audit Committee reviewed and advised that:

- The internal controls and accounting systems of the Group function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication and compliant with all relevant laws and regulations.
- There are processes in place for identifying, evaluating and managing the material business risks faced by the Group. Such processes are incorporated in all the Group's businesses. These processes were reviewed by a third party during the year with recommendations being incorporated in revised procedures for the four main operating businesses. In addition to reporting to First Pacific of risks, their review and impact on the businesses has been incorporated in the reporting process.
- There are adequate resources, qualified and experienced staff, training programs and budget for the Group's accounting and financial reporting function.

Financial Review

Financial Performance and Position

Analysis of Consolidated Income Statement

An analysis of the Group's 2012 reported results compared with 2011's follows.

For the year ended 31 December US$ millions	**2012**	2011 (Restated)	% change
Turnover	**5,990.8**	5,684.1	+5.4
Gross profit	**1,861.9**	1,773.8	+5.0
Gain on dilutions, net	**14.4**	209.9	–93.1
Operating expenses	**(875.6)**	(801.3)	+9.3
Other operating income, net	**22.3**	39.1	–43.0
Net finance costs	**(198.7)**	(186.6)	+6.5
Share of profits less losses of associated companies and joint ventures	**235.7**	278.3	–15.3
Taxation	**(229.8)**	(215.8)	+6.5
Non-controlling interests	**(481.4)**	(523.4)	–8.0
Recurring profit	**360.3**	423.0	–14.8
Profit attributable to owners of the parent	**348.8**	574.0	–39.2

Significant changes in consolidated income statement items are explained as follows:

Turnover – increased by 5.4%, principally reflecting a growth in Indofood's sales (increased by 10.4% in rupiah terms) and MPIC's revenues (increased by 26.0% in peso terms), partly offset by the impact of a 6.7% depreciation in the rupiah average exchange rate against the U.S. dollar. The growth in Indofood's sales mainly reflects increases in sales volumes of all the divisions (except for the Nutrition & Special Foods division), despite a reduction in the average selling prices of the Agribusiness division. MPIC's revenues increased mainly as a result of increases in the billed volume and tariff rates at Maynilad, higher traffic volumes at MPTC and the acquisitions of CVHMC and AHI made in the fourth quarter of 2011 for the Hospital division.

Gross profit – increased by 5.0%, principally reflecting an increase in both Indofood's and MPIC's gross profit. The decrease in gross margin (2012: 31.1% vs 2011: 31.2%) principally reflects a decrease in Indofood's gross margin (2012: 27.1% vs 2011: 27.8%) mainly as a result of the decrease in the average selling prices of CPO and rubber for the Agribusiness division, partly offset by a higher proportion of contribution from MPIC at a higher gross margin of approximately 60% (2011: approximately 60%).

Gain on dilutions, net – for 2012 mainly represents the Group's gain on dilution of a 0.2% interest in PLDT (US$14.5 million) as a result of PLDT's issuance of new shares for acquiring Digitel's shares from its non-controlling shareholders upon the completion of Digitel's tender offer in January 2012. The gain for 2011 mainly represents the Group's gain on dilution of a 3.4% interest in PLDT (US$210.0 million) as a result of PLDT's issuance of new shares to acquire controlling interests in Digitel in October 2011.

Operating expenses – increased by 9.3%, principally reflecting increases in freight and handling expenses and advertising and promotion spending at Indofood and employees, public relations, donations, rental and depreciation expenses at both Indofood and MPIC.

Share of profits less losses of associated companies and joint ventures – decreased by 15.3%, principally reflecting decreases in profit contributions from Philex and PLDT mainly as a result of Philex's suspension of its Padcal mine's operations since August 2012 following an accidental discharge of water and tailings from its tailings pond No. 3 and difficult competitive environment faced by PLDT, partly offset by an increase in profit contribution from Meralco.

Recurring profit – decreased by 14.8%, as intensifying competition for PLDT, suspension of operations at Philex and the impact of depreciation of the rupiah against the U.S. dollar for Indofood resulted in a decline in their recurring profit contributions, while MPIC saw its recurring profit contribution increase.

Profit attributable to owners of the parent – decreased by 39.2%, principally reflecting the decreases in net non-recurring gain on dilutions, and recurring profit.

Analysis of Consolidated Statement of Financial Position

An analysis of the Group's consolidated statement of financial position at 31 December 2012 compared with 31 December 2011's follows.

At 31 December US$ millions	**2012**	2011	% change
Property, plant and equipment	**1,824.3**	1,651.7	+10.4
Plantations	**1,301.5**	1,280.9	+1.6
Associated companies and joint ventures	**3,292.4**	3,035.1	+8.5
Goodwill	**808.2**	819.6	–1.4
Other intangible assets	**2,305.8**	2,105.9	+9.5
Cash and cash equivalents[(i)]	**2,219.2**	1,930.2	+15.0
Other assets	**2,128.6**	1,788.4	+19.0
Total Assets	**13,880.0**	12,611.8	+10.1
Borrowings	**4,365.0**	3,695.0	+18.1
Other liabilities	**2,271.0**	2,037.6	+11.5
Total Liabilities	**6,636.0**	5,732.6	+15.8
Net Assets	**7,244.0**	6,879.2	+5.3
Equity attributable to owners of the parent	**3,233.3**	3,022.7	+7.0
Non-controlling interests	**4,010.7**	3,856.5	+4.0
Total Equity	**7,244.0**	6,879.2	+5.3

(i) Includes pledged deposits and restricted cash

Significant movements in consolidated statement of financial position items are explained as follows:

Property, plant and equipment – increased by 10.4%, principally reflecting Indofood's capital expenditure, partly offset by depreciation.

Associated companies and joint ventures – increased by 8.5%, principally reflecting the Group's share of profits of PLDT, Philex and Meralco, MPIC's additional investments in Beacon Electric's common shares and preferred shares totaling US$148.9 million, Indofood's US$18.5 million investments in Heliae, partly offset by the payments of dividends by the associated companies and joint ventures.

Other intangible assets – increased by 9.5%, principally reflecting MPIC's capital expenditure in infrastructure assets for water and toll road concessions, partly offset by amortization.

Cash and cash equivalents – increased by 15.0%, principally reflecting operating cash inflow of Indofood and MPIC, proceeds from the issuance of US$400 million of seven-year unsecured bonds by Head Office, dividend income received from PLDT and Philex, partly offset by Indofood's and MPIC's capital expenditure, dividends paid by the Company and its subsidiary companies, MPIC's payments for increased investments in Beacon Electric's common shares and preferred shares and the Company's payments for repurchase of shares.

Other assets – which comprise accounts receivable, other receivables and prepayment, available-for-sale assets, deferred tax assets, other non-current assets and inventories, increased by 19.0%, principally reflecting MPIC's Pesos 6.8 billion (US$160.9 million) investment in CHI's convertible note and an increase in Indofood's inventories.

Borrowings – increased by 18.1%, principally reflecting Head Office's issuance of US$400 million of seven-year unsecured bonds and net new borrowings (US$46.2 million) and MPIC's Pesos 4.7 billion (US$114.5 million) of new borrowing for partly financing its investment in CHI's convertible note.

Equity attributable to owners of the parent – increased by 7.0%, principally reflecting the Group's profit for 2012 (US$348.8 million) and an increase in exchange reserve (US$89.6 million) mainly as a result of a 6.8% appreciation of the peso closing rate against U.S. dollar, partly offset by the Company's payments for 2011 final dividend (US$64.2 million), 2012 interim dividend (US$39.6 million) and repurchase of shares (US$56.5 million), and net actuarial losses on defined benefit pension plans (US$42.4 million) principally attributable to PLDT.

Non-controlling interests – increased by 4.0%, principally reflecting share of profits by non-controlling interests, partly offset by dividends paid to non-controlling interests by Indofood, MPIC and their subsidiaries and a retranslation effect mainly as a result of a 6.2% depreciation of the rupiah closing exchange rate against U.S. dollar.

Liquidity and Financial Resources

Analysis of Consolidated Statement of Cash Flows

An analysis of the Group's 2012 consolidated statement of cash flows compared with 2011's follows.

For the year ended 31 December US$ millions	**2012**	2011	% change
Operating Activities			
Net cash flows from operating activities	**975.5**	642.5	+51.8
Investing Activities			
Dividends received	**258.7**	266.0	–2.7
Net capital expenditure	**(696.0)**	(550.7)	+26.4
Acquisitions and disposals	**(293.1)**	(489.9)	–40.2
Financing Activities			
Net borrowings	**508.1**	307.0	+65.5
Dividends paid	**(285.5)**	(243.7)	+17.2
Other financing cash flows	**(130.9)**	411.7	–
Net Increase in Cash and Cash Equivalents	**336.8**	342.9	–1.8
Cash and cash equivalents at 1 January(i)	**1,874.9**	1,538.7	+21.8
Exchange translation	**(50.0)**	(6.7)	+646.3
Cash and Cash Equivalents at 31 December(i)	**2,161.7**	1,874.9	+15.3

(i) Includes pledged deposits, restricted cash and bank overdrafts and excludes time deposits with original maturity of more than three months

Details of the changes in the consolidated statement of cash flows items are explained as follows:

Net cash flow from operating activities – increased by 51.8%, principally reflecting increased operating profit from Indofood and MPIC and their reduced investments in working capital.

Dividends received – decreased by 2.7%, principally reflecting a decrease in dividend income received from PLDT.

Net capital expenditure – increased by 26.4%, principally reflecting increased investments in property, plant and equipment and plantations at Indofood and infrastructure assets for water and toll road concessions at MPIC.

Acquisitions and disposals – decreased by 40.2%. 2012's net cash outflow principally relates to MPIC's investments in CHI's convertible note (US$160.9 million) and additional investment in Beacon Electric's common shares (US$64.2 million), and Indofood's investments in a 26.4% interest in Heliae (US$18.5 million) and a 49.0% interest in PT Asahi Indofood Beverage Makmur (US$6.8 million). 2011's net cash outflow mainly represents payments for the Group's acquisition of an approximately 2.7% interest in PLDT (US$338.8 million) and the balance of consideration for the acquisition of a 5.9% interest in Philex in January 2010 by Two Rivers Pacific Holdings Corporation, a Philippine affiliate of the Company (US$126.8 million).

Net borrowings – increased by 65.5%. 2012's net cash inflow principally relates to Head Office's net proceeds from the issuance of seven-year unsecured bonds (US$394.7 million) and net new borrowings (US$46.2 million) and MPIC's net additional borrowings (US$81.8 million), partly offset by net repayment of borrowings at Indofood (US$14.6 million). 2011's net cash inflow principally reflects net additional borrowings at Head Office (US$291.1 million) and MPIC (US$134.5 million), partly offset by net repayment of borrowings at Indofood (US$118.6 million).

Dividends paid – increased by 17.2%. The amounts represents the payments of 2011 final and 2012 interim dividends by the Company to its shareholders and by subsidiary companies to their non-controlling interests. The increase principally reflects increases in dividends paid by Indofood, MPIC and their subsidiary companies.

Other financing cash flows – for 2012 mainly relates to MPIC's additional investment in Beacon Electric's preferred shares (US$84.7 million) and the Company's payment for repurchase of its shares (US$54.2 million). 2011's net cash inflow principally relates to the net proceeds from dilution of the Group's interest in SIMP as a result of SIMP's global offering of shares (US$382.3 million) and MPIC's share placement to third party investors (US$97.2 million), partly offset by the Company's payment for repurchase of its shares (US$69.4 million).

Net Debt and Gearing

(A) Head Office Net Debt

The decrease in net debt is mainly attributable to the receipt of dividends from its investments, partly offset by the payments of overhead and interest expenses, dividends and repurchase of the Company's shares. The Head Office's borrowings at 31 December 2012 comprise bonds of US$1,086.8 million (with an aggregate face value of US$1,100.0 million) which are due for redemption in July 2017, June 2019 and September 2020 and bank loans of US$631.1 million (with an aggregated face value of US$640.3 million) which are due for repayment between November 2013 and January 2017.

Changes in Head Office Net Debt

US$ millions	Borrowings	Cash and cash equivalents	Net debt
At 1 January 2012	1,272.8	(102.5)	1,170.3
Movement	445.1	(481.6)	(36.5)
At 31 December 2012	**1,717.9**	**(584.1)**	**1,133.8**

Head Office Cash Flow

For the year ended 31 December US$ millions	**2012**	2011
Dividend and fee income	**320.9**	322.0
Head Office overhead expense	**(25.1)**	(20.8)
Net cash interest expense	**(73.7)**	(65.9)
Taxes	**(0.4)**	(2.4)
Net Cash Inflow from Operating Activities	**221.7**	232.9
Net investments	**(12.1)**	(544.5)
Financing activities		
– Proceeds from the issue of unsecured bonds, net	**394.7**	–
– Net borrowings	**46.2**	291.1
– Proceeds from the issue of shares upon the exercise of share options	**15.8**	11.0
– Dividends paid	**(103.8)**	(105.6)
– Repurchase of shares	**(54.2)**	(69.4)
– Loan to an associated company	**(26.7)**	–
Increase/(Decrease) in Cash and Cash Equivalents	**481.6**	(184.5)
Cash and cash equivalents at 1 January	**102.5**	287.0
Cash and Cash Equivalents at 31 December	**584.1**	102.5

(B) Group Net Debt and Gearing

An analysis of net debt and gearing for principal consolidated and associated companies follows.

Consolidated

US$ millions	**Net debt[i] 2012**	**Total equity 2012**	**Gearing (times) 2012**	Net debt[i] 2011	Total equity 2011	Gearing (times) 2011
Head Office	**1,133.8**	**1,693.1**	**0.67x**	1,170.3	1,647.1	0.71x
MPIC	**807.2**	**2,290.9**	**0.35x**	524.2	1,953.2	0.27x
Indofood	**204.8**	**4,005.7**	**0.05x**	70.3	4,018.4	0.02x
Group adjustments[ii]	**–**	**(745.7)**	**–**	–	(739.5)	–
Total	**2,145.8**	**7,244.0**	**0.30x**	1,764.8	6,879.2	0.26x

Associated

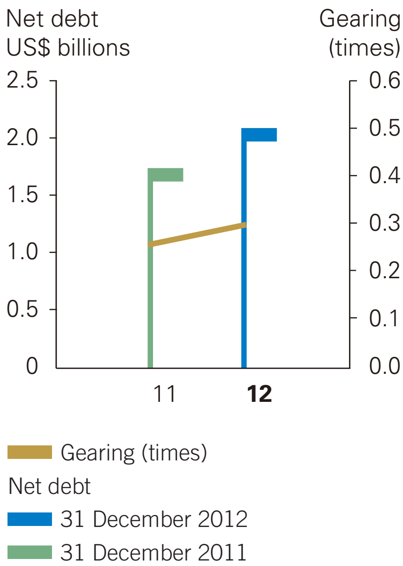
US$ millions	**Net debt/ (cash) 2012**	**Total equity 2012**	**Gearing (times) 2012**	Net debt/ (cash) 2011	Total equity 2011	Gearing (times) 2011
PLDT	**1,915.9**	**3,635.6**	**0.53x**	1,624.8	3,472.1	0.47x
Philex	**(5.3)**	**541.2**	**–**	(82.1)	617.0	–

(i) Includes pledged deposits and restricted cash
(ii) Group adjustments mainly represents elimination of goodwill arising from acquisitions prior to 1 January 2001 against the Group's retained earnings and other standard consolidation adjustments to present the Group as a single economic entity.

Head Office's gearing decreased principally because of a growth of its equity as a result of its profit recorded for the year. MPIC's gearing increased principally because of an increase in net debt which reflects its payments for additional investments in CHI's convertible note, Beacon Electric's common and preferred shares and capital expenditure which increased its net debt, partly offset by a growth of its equity as a result of its profit recorded for the year. Indofood's gearing increased principally because of an increase in net debt which reflects its payments for capital expenditure and dividends to shareholders, partly offset by its strong operating cash flow. PLDT's gearing increased as its net debt increased as a result of its payments for the establishment of a trust fund for the redemption of its preferred shares and investment in media business. Philex's net cash reduced principally because of a reduction in its operating cash flow as a result of its suspension of the Padcal mine's operations since 1 August 2012 following an accidental discharge of water and tailings from its tailings pond No. 3 and its payments for capital expenditure.

The Group's gearing increased to 0.30 times level principally as a result of the higher net debt level reflecting MPIC's and Indofood's payments for investments and capital expenditure, partly offset by a growth of its equity.

Net Debt and Gearing



Maturity Profile

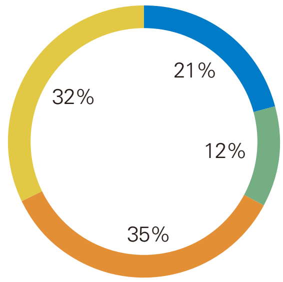
The maturity profile of debt of consolidated and associated companies follows.

Consolidated

	Carrying amounts		Nominal values	
US$ millions	**2012**	2011	**2012**	2011
Within one year	**926.5**	1,119.3	**926.6**	1,120.0
One to two years	**501.2**	126.0	**504.0**	126.7
Two to five years	**1,536.6**	1,125.8	**1,552.2**	1,136.6
Over five years	**1,400.7**	1,323.9	**1,408.5**	1,343.0
Total	**4,365.0**	3,695.0	**4,391.3**	3,726.3

The change in the Group's debt maturity profile from 31 December 2011 to 31 December 2012 principally reflect (i) MPIC's new borrowing to partly finance its investment in CHI's convertible note, (ii) Indofood's issuance of Rupiah 2.0 trillion (US$206.8 million) of five-year bonds for refinancing its Rupiah 2.0 trillion (US$206.8 million) of bonds matured in May 2012 and (iii) Head Office's issuance of US$400 million of seven-year bonds in June 2012, refinancing of US$200 million of its short-term borrowings with long-term borrowings and changes in classification of US$46.3 million of borrowings maturing in November 2013 and US$300 million of bonds maturing in July 2017.

Maturity Profile of Consolidated Debt 2012



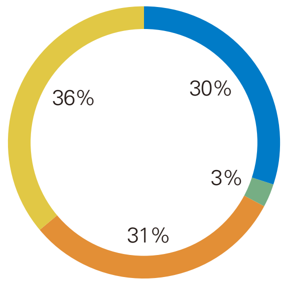
	US$ millions
Within one year	926.5
One to two years	501.2
Two to five years	1,536.6
Over five years	1,400.7
Total	**4,365.0**

Associated

	PLDT				Philex			
	Carrying amounts		Nominal values		Carrying amounts		Nominal values	
US$ millions	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Within one year	**316.4**	593.3	**318.4**	595.8	**35.3**	8.0	**35.3**	8.0
One to two years	**471.4**	239.7	**498.5**	275.0	**–**	–	**–**	–
Two to five years	**1,268.4**	1,055.3	**1,271.1**	1,066.1	**–**	–	**–**	–
Over five years	**765.0**	787.1	**765.4**	787.2	**–**	–	**–**	–
Total	**2,821.2**	2,675.4	**2,853.4**	2,724.1	**35.3**	8.0	**35.3**	8.0

The change in PLDT's debt maturity profile from 31 December 2011 to 31 December 2012 principally reflects loan repayments and new borrowings arranged to finance capital expenditure and/or refinance its loan obligations which were utilized for service improvements and expansion programs. The increase in Philex's debt principally reflect a loan borrowed from Head Office.

Maturity Profile of Consolidated Debt 2011



	US$ millions
Within one year	1,119.3
One to two years	126.0
Two to five years	1,125.8
Over five years	1,323.9
Total	**3,695.0**

Financial Risk Management

Foreign Currency Risk

(A) Company Risk

As the Head Office debts are currently denominated in U.S. dollars, foreign currency risk relates mainly to the receipt of cash dividends and to the translation of non-U.S. dollar denominated investments in subsidiary and associated companies.

The Company actively reviews the potential benefits of hedging based on forecast dividend flows and enters into hedging arrangements (including the use of forward exchange contracts) for managing its foreign currency exposure in respect of dividend income and payments in foreign currency on a transactional basis. However, the Company does not actively seek to hedge risks arising on the translation of foreign currency denominated investments due to (i) the non-cash nature of such exposure until the values of the investments are realized and (ii) the high costs associated with such hedging. Accordingly, the Company is exposed to the impact of foreign currency fluctuations on the translated U.S. dollar value of its foreign currency denominated investments.

With the exception of the Head Office, the principal components of the Group's NAV relate to investments denominated in the peso and the rupiah. Accordingly, any change in these currencies, against their respective 31 December 2012 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

The following table illustrates the estimated effect on the Group's adjusted NAV for a one per cent change of the peso and rupiah exchange rates against the U.S. dollar.

Company	**Effect on adjusted NAV**[(i)] US$ millions	**Effect on adjusted NAV per share** HK cents
PLDT	34.0	6.94
MPIC	15.8	3.21
Indofood	26.6	5.42
Philex	8.3	1.70
Philex Petroleum	2.1	0.42
Head Office - Other asset[(ii)]	0.3	0.05
Total	**87.1**	**17.74**

(i) Based on quoted share prices as at 31 December 2012 applied to the Group's economic interest
(ii) Represents a loan receivable from Philex

(B) Group Risk

The results of the Group's operating entities are denominated in local currencies, principally the peso and the rupiah, which are translated and consolidated to give the Group's results in U.S. dollars.

Net Debt by Currency

It is often necessary for operating entities to borrow in U.S. dollars, which results in the risk of a translation impact on local currency results. A summary of consolidated and associated companies' net debt by currency follows.

Consolidated

US$ millions	US$	Rupiah	Peso	Others	**Total**
Total borrowings	2,307.3	1,113.1	944.6	–	**4,365.0**
Cash and cash equivalents[i]	(885.5)	(990.6)	(289.7)	(53.4)	**(2,219.2)**
Net Debt/(Cash)	1,421.8	122.5	654.9	(53.4)	**2,145.8**
Representing:					
Head Office	1,191.8	(0.1)	(56.7)	(1.2)	**1,133.8**
MPIC	95.6	–	711.6	–	**807.2**
Indofood	134.4	122.6	–	(52.2)	**204.8**
Net Debt/(Cash)	1,421.8	122.5	654.9	(53.4)	**2,145.8**

Associated

US$ millions	US$	Peso	Others	**Total**
Net Debt/(Cash)				
PLDT	1,194.1	725.8	(4.0)	**1,915.9**
Philex	(20.5)	15.2	–	**(5.3)**

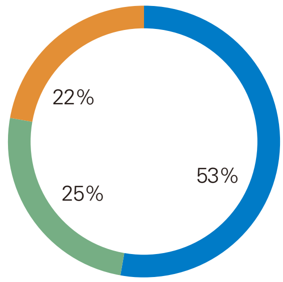
(i) Includes pledged deposits and restricted cash

Details of changes in Head Office net debt are set out on page 77.

PLDT carries U.S. dollar debts primarily because international vendors of telecommunications equipment quote prices and require payment in U.S. dollars. In addition, large funding requirements often cannot be satisfied in local currency due to inherent constraints within the financial markets in the Philippines. As a result, financing frequently needs to be sourced from the international capital market, principally in U.S. dollars. PLDT has actively hedged approximately 17% of its U.S. dollar net borrowings. In addition, substantial revenues of PLDT are either denominated in, or linked to, the U.S. dollar. For example, PLDT's U.S. dollar denominated international inbound revenue accounted for approximately US$226.9 million or 6% of PLDT's total service revenues in 2012. In addition, under certain circumstances, PLDT is able to adjust the rates for its fixed line service by one per cent for every Peso 0.1 change in the U.S. dollar to peso exchange rate.

Maynilad carries certain U.S. dollar debts which were arranged for financing its capital expenditure. Under its concession agreement with Metropolitan Waterworks and Sewerage System (MWSS) of the Philippine government for the provision of water and sewerage services in the area of West Metro Manila, Maynilad is entitled to rate adjustments which enable Maynilad to recover/account for present and future foreign exchange losses/gains until the expiration date of the concession on a quarterly basis.

Analysis of Total Borrowings by Currency



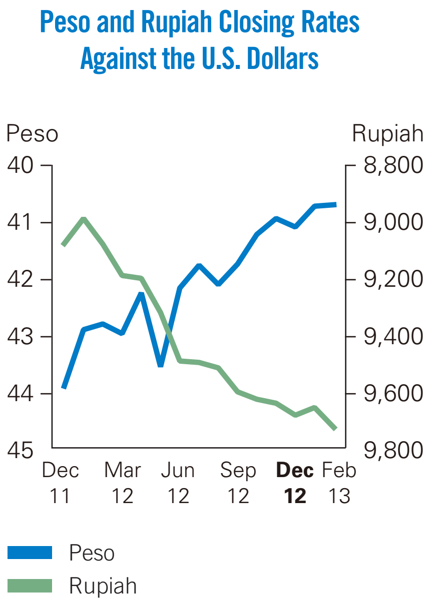
	US$ millions
US$	2,307.3
Rupiah	1,113.1
Peso	944.6
Total	**4,365.0**

Meralco's debt is substantially denominated in peso. Therefore, any change of the U.S. dollar to peso exchange rate will not have a significant impact on Meralco's principal and interest payments. In addition, Meralco is allowed to recover foreign exchange differences on foreign currency-denominated loans through adjustments in its customers' billing in accordance with its local regulations.

As a result of unhedged U.S. dollar net debt, the Group's results are sensitive to fluctuations in U.S. dollar exchange rates. The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in the principal operating currencies of subsidiary and associated companies. This does not reflect the indirect effect of fluctuating exchange rates on revenues and input costs at the operating company level.

US$ millions	Total US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% currency change	**Group net profit effect**
Head Office[(i)]	1,191.8	–	1,191.8	–	**–**
MPIC	95.6	–	95.6	1.0	**0.4**
Indofood	134.4	–	134.4	1.3	**0.5**
PLDT	1,194.1	201.8	992.3	9.9	**1.8**
Philex	(20.5)	–	(20.5)	(0.2)	**(0.1)**
Total	**2,595.4**	**201.8**	**2,393.6**	**12.0**	**2.6**

(i) As the Group reports its results in U.S. dollars, unhedged U.S. dollar net debt at the Head Office does not give rise to any significant exchange exposure.

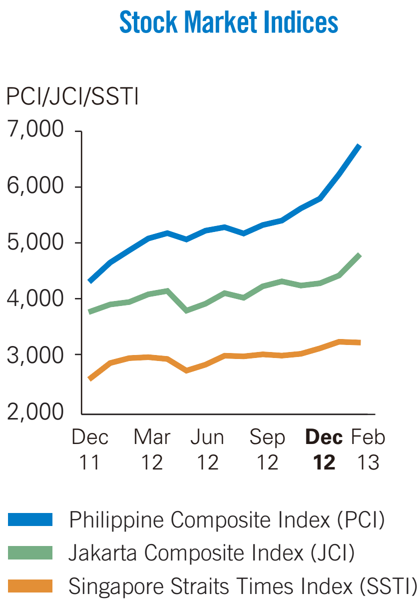


Equity Market Risk

As the majority of the Company's investments are listed, the Company is exposed to fluctuations in the equity market values of such investments. In addition, the value of the Company's investments may be impacted by sentiment towards specific countries.

First Pacific's listed investments are located in the Philippines, Indonesia and Singapore. Accordingly, in addition to operating factors within the Company's control, the Company also has an equity market risk in respect of general investor sentiment towards these countries. Changes in the stock market indices of the Philippines, Indonesia and Singapore are summarized as follows.

	Philippine Composite Index	**Jakarta Composite Index**	**Singapore Straits Times Index**
At 31 December 2011	4,372	3,822	2,646
At 31 December 2012	**5,813**	**4,317**	**3,167**
Increase during 2012	+33.0%	+13.0%	+19.7%
At 19 March 2013	6,426	4,823	3,269
Increase over 2013 to 19 March 2013	+10.5%	+11.7%	+3.2%



Interest Rate Risk

The Company and its operating entities are exposed to changes in interest rates to the extent that they impact the cost of variable interest rate borrowings. An analysis of this for consolidated and associated companies follows.

Consolidated

US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents[i]	**Net debt**
Head Office	1,086.8	631.1	(584.1)	**1,133.8**
MPIC	781.2	281.3	(255.3)	**807.2**
Indofood	447.1	1,137.5	(1,379.8)	**204.8**
Total	2,315.1	2,049.9	(2,219.2)	**2,145.8**

Associated

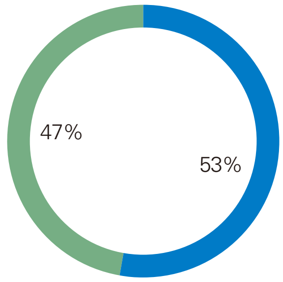
US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents	**Net debt/ (cash)**
PLDT	1,985.4	835.8	(905.3)	**1,915.9**
Philex	26.8	8.5	(40.6)	**(5.3)**

(i) Includes pledged deposits and restricted cash

The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in average annual interest rates in respect of the variable interest rate borrowings.

US$ millions	Variable interest rate borrowings	Profit effect of 1% change in interest rates	**Group net profit effect**
Head Office	631.1	6.3	**6.3**
MPIC	281.3	2.8	**1.2**
Indofood	1,137.5	11.4	**4.3**
PLDT	835.8	8.3	**1.5**
Philex	8.5	0.1	–
Total	**2,894.2**	**28.9**	**13.3**

Interest Rate Profile



	US$ millions
Fixed	2,315.1
Variable	2,049.9
Total	**4,365.0**

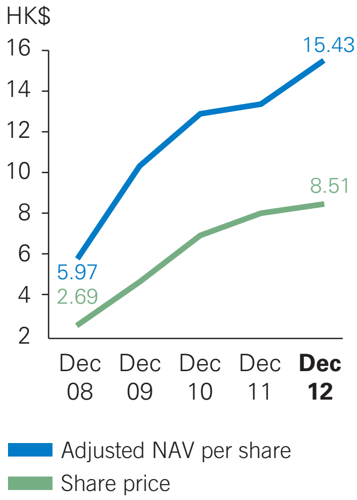
Adjusted NAV Per Share

There follows a calculation of the Group's underlying worth.

At 31 December US$ millions	Basis	2012	2011
PLDT	(i)	**3,404.8**	3,203.3
MPIC	(i)	**1,574.4**	1,212.5
Indofood	(i)	**2,659.5**	2,230.0
Philex	(i)	**832.6**	1,085.0
Philex Petroleum	(i)	**208.1**	45.7
Head Office – Other asset	(ii)	**26.8**	–
– Net debt		**(1,133.8)**	(1,170.3)
Total Valuation		**7,572.4**	6,606.2
Number of Ordinary Shares in Issue (millions)		**3,827.6**	3,850.4
Value per share – U.S. dollar		**1.98**	1.72
– HK dollar		**15.43**	13.38
Company's closing share price (HK$)		**8.51**	8.08
Share price discount to HK$ value per share (%)		**44.8**	39.6

(i) Based on quoted share prices applied to the Group's economic interest
(ii) Represents a loan receivable from Philex

Share Price vs Adjusted NAV Per Share



Statutory Reports, Consolidated Financial Statements and Notes to the Consolidated Financial Statements

Contents

Statutory Reports

Report of the Directors

The Directors present their report and the audited financial statements of First Pacific Company Limited (the Company) and its subsidiary companies (together, the Group) (the Consolidated Financial Statements) for the year ended 31 December 2012.

Principal Business Activities and Geographical Market Analysis of Operations

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. During the year, there were no significant changes in the nature of the Group's principal business activities.

An analysis of the Group's turnover and segmental information for the year is set out in Note 4 to the Consolidated Financial Statements, and a summary of its principal investments is set out on the inside back cover.

Incorporation

The Company was incorporated on 25 May 1988 in Bermuda with limited liability.

Share Capital and Share Options

Details of movements in the Company's share capital, share options issued by the Group during the year, together with their reasons, are set out in Notes 28 and 34(D) to the Consolidated Financial Statements.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Financial Statements on pages 96 to 97.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year, the Company repurchased certain of its shares on the SEHK and these shares were subsequently cancelled by the Company. Further details of these transactions are set out in Note 28(B) to the Consolidated Financial Statements.

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.

Results and Appropriations

The consolidated profit of the Group for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the Consolidated Financial Statements on pages 92 to 182.

An interim dividend of HK8.00 cents (U.S. 1.03 cents) (2011: HK8.00 cents or U.S. 1.03 cents) per ordinary share, totaling HK$308.9 million (US$39.6 million) (2011: HK$308.9 million or US$39.6 million), was paid on 24 September 2012. The Directors recommended the payment of a final dividend of HK13.00 cents (U.S. 1.67 cents) (2011: HK13.00 cents or U.S. 1.67 cents) per ordinary share, totaling HK$497.6 million (US$63.8 million) (2011: HK$500.7 million or US$64.2 million). The total dividends per ordinary share for 2012 equals to HK21.00 cents (U.S. 2.70 cents) (2011: HK22.20 cents or U.S. 2.85 cents, including a special dividend of HK1.20 cents or U.S. 0.15 cent in connection with the global offering of shares carried out by SIMP, a subsidiary company of Indofood, as described in Note 10 to the Consolidated Financial Statements).

Charitable Contributions

The Group made charitable contributions totaling US$36.4 million in 2012 (2011: US$28.8 million).

Property, Plant and Equipment

Details of movements in the Group's property, plant and equipment during the year are provided in Note 11 to the Consolidated Financial Statements.

Borrowings

Details of the borrowings of the Group are provided in Note 25 to the Consolidated Financial Statements.

Distributable Reserves

At 31 December 2012, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) amounted to US$309.3 million (2011: US$280.3 million). The Company's share premium account, in the amount of US$1,312.2 million (2011: US$1,289.2 million), may be distributed in the form of fully paid bonus shares.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors

The names of the Directors of the Company who held office at 31 December 2012 are set out on pages 48 to 51. Details of the remuneration policy and other details are provided in the Corporate Governance Report on page 65 and Note 34(A) to the Consolidated Financial Statements, respectively.

Interests of Directors in the Company and its Associated Corporations

As at 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (SFO)) which (a) were recorded in the register required to be kept under section 352 of Part XV of the SFO; or (b) were notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company (Model Code) were as follows:

(A) Long Positions in Shares in the Company

Name	Ordinary shares	Approximate percentage of issued share capital (%)	Ordinary share options
Anthoni Salim	1,706,947,154[(C)(i)]	44.57	–
Manuel V. Pangilinan	54,137,927[(P)]	1.41	19,098,934
Edward A. Tortorici	33,132,579[(P)]	0.87	–
Robert C. Nicholson	12,914[(P)]	0.00	16,337,388
Benny S. Santoso	–	–	6,324,150
Napoleon L. Nazareno	–	–	3,330,000
Graham L. Pickles	–	–	3,330,719
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	3,743,113
Jun Tang	–	–	3,330,000
Dr. Christine K.W. Loh*, *JP, OBE, Chevalier de l'Ordre National du Merite*	–	–	–

* Dr. Christine Loh resigned as director of the Company with effect from 12 September 2012 and upon her resignation, the share options previously granted to her lapsed, without having been vested.

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

(i) Anthoni Salim indirectly owns 100% of First Pacific Investments (B.V.I.) Limited. His indirect interests in First Pacific Investments (B.V.I.) Limited are held through Salerni International Limited (a company of which Anthoni Salim directly holds 100% of the issued share capital). First Pacific Investments (B.V.I.) Limited and Salerni International Limited are interested in 632,226,599 shares and 284,491,191 shares respectively in the Company. Anthoni Salim also owns 56.8% of First Pacific Investments Limited which, in turn, is interested in 790,229,364 shares in the Company. Of this, 10.0% is held by Anthoni Salim directly, and 46.8% by Salerni International Limited. The remaining 43.2% interest in First Pacific Investments Limited is owned as to 30.0% by Sutanto Djuhar (a former Non-executive Director of the Company), 10.0% by Tedy Djuhar (a Non-executive Director of the Company), and 3.2% by a company controlled by the late Mr. Ibrahim Risjad (who was a Non-executive Director of the Company).

(B) **Long Positions in Shares in Associated Corporations**

- Manuel V. Pangilinan owned 21,342,404 common shares(P) (0.09%)* in MPIC, 227,033 common shares(P) (0.11%)* in PLDT as beneficial owner and a further 15,417 common shares (less than 0.01%)* in PLDT as nominee, 4,505,000 common shares(P) (0.09%)* in Philex, 891,250 common shares(P) (0.05%)* in Philex Petroleum Corporation (PPC), as well as 25,000 common shares(P) (less than 0.01%)* in Meralco.

- Edward A. Tortorici owned 69,596 common shares(C) and 10,660,000 common shares(P) (collectively 0.04%)* in MPIC, 104,874 common shares(P) (0.05%)* in PLDT, 3,285,100 common shares(P) (less than 0.07%)* as well as 1,515,000 share options in Philex, and 37,512 common shares(P) (less than 0.01%)* in PPC as well as US$600,000 of bonds due 2019 issued by FPC Finance Limited, which is a wholly-owned subsidiary of the Company.

- Robert C. Nicholson owned 1,250 common shares(P) (less than 0.01%)* and 3,750,000 share options in Philex, 156 common shares(P) (less than 0.01%)* in PPC, 10,000,000 share options in MPIC, as well as US$400,000 of bonds due 2017 issued by FPMH Finance Limited, US$200,000 of bonds due 2020 issued by FPT Finance Limited and US$600,000 of bonds due 2019 issued by FPC Finance Limited, all of which are wholly-owned subsidiaries of the Company.

- Tedy Djuhar owned 15,520,335 ordinary shares(C) (0.18%)* in Indofood.

- Anthoni Salim owned 1,329,770 ordinary shares(P) (0.02%)* in Indofood and an indirect interest of 4,396,103,450 Indofood shares (50.07%)* through the Company's group companies, a direct interest of 2,007,788 shares(C) (0.14%)* in Indofood Agri Resources Ltd. (IndoAgri) through his controlled corporations other than the Company and an indirect interest of 1,018,200,000 IndoAgri shares (70.99%)* through the Company's group companies and a direct interest of 20,483,364 shares(C) (0.13%)* in PT Salim Ivomas Pratama Tbk (SIMP) through his controlled corporations other than the Company and an indirect interest of 12,448,625,000 SIMP shares (78.71%)* through the Company's group companies.

- Napoleon L. Nazareno owned 6,648 common shares(P) (less than 0.01%)* in MPIC, 19,927 common shares(P) (less than 0.01%)* in PLDT as well as 110,000 common shares(P) (0.01%)* in Meralco.

(P) = Personal interest, (C) = Corporate interest
* Approximate percentage of the issued capital of the respective class of shares in the respective associated corporations as at 31 December 2012.

Save for those disclosed above, as at 31 December 2012, none of the Directors and chief executive of the Company had any interests or short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

Interests of Substantial Shareholders in the Company

The interests and short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2012 as recorded in the register required to be kept under Section 336 of the SFO are set out below:

(a) Salerni International Limited# (Salerni), which was incorporated in the British Virgin Islands, was interested in 1,706,947,154 ordinary shares of the Company at 31 December 2012, representing approximately 44.57% of the Company's issued share capital at that date, by way of 284,491,191 ordinary shares of the Company and also its 46.80% interest in First Pacific Investments Limited (FPIL-Liberia) and 100% interest in First Pacific Investments (B.V.I.) Limited (FPIL-BVI). Anthoni Salim, Chairman of the Company, beneficially owns the entire issued share capital of Salerni and, accordingly, is taken to be interested in the shares owned by Salerni.

(b) FPIL-Liberia, which was incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at 31 December 2012, representing approximately 20.63% of the Company's issued share capital at that date. FPIL-Liberia is owned by Anthoni Salim (Chairman of the Company) and Tedy Djuhar (a Non-executive Director of the Company), the late Ibrahim Risjad (who was a Non-executive Director of the Company) and Sutanto Djuhar (a former Non-executive Director of the Company), in the proportion specified in note (i) of the table on page 87. Anthoni Salim, Chairman of the Company, is taken to be interested in the shares owned by FPIL-Liberia.

Pursuant to the provisions of the BVI Business Companies Act, 2004, Mega Ring merged into Salerni on 10 August 2012. Upon the merger, Salerni became the owner of all property of Mega Ring (including the shares in the Company) and Mega Ring ceased to exist.

(c) FPIL-BVI, which was incorporated in the British Virgin Islands, beneficially owned 632,226,599 ordinary shares at 31 December 2012, representing approximately 16.51% of the Company's issued share capital at that date. Anthoni Salim, Chairman of the Company, beneficially owns the entire issued share capital of FPIL-BVI and, accordingly, is taken to be interested in the shares owned by FPIL-BVI.

(d) Lazard Asset Management LLC (Lazard), a United States incorporated company, notified the Company that it held 272,042,799 ordinary shares of the Company as at 7 October 2011, representing approximately 7.06% of the Company's issued share capital at that date. At 31 December 2012, the Company has not received any other notification from Lazard of any change to such holding.

Other than as disclosed above, the Company had not been notified of any person (other than Directors or chief executive of the Company) at 31 December 2012 who had an interest or short position in the shares or underlying shares of the Company to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

Contracts of Significance

Except for the continuing connected transactions set out in the Corporate Governance Report on pages 67 to 71, there were no contracts of significance in relation to the Company's business to which the Company or its subsidiary companies were parties, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

None of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiary companies at the end of the year or at any time during the year.

Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed under the heading "Interests of Directors in the Company and its Associated Corporations" above and "Share Options" in Note 34(D)(a) to the Consolidated Financial Statements, at no time during the year was the Company or any of its subsidiary companies a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors of the Company or their spouses or minor children had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Summary Financial Information

A summary of the published results, assets, liabilities and non-controlling interests, and various information and financial ratios of the Company and the Group for the last ten financial years, as extracted from the audited Consolidated Financial Statements and restated/reclassified as appropriate, is set out on pages 4 and 5. This summary does not form part of the audited Consolidated Financial Statements.

Major Customers and Suppliers

In 2012, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year, whereas purchases from the Group's five largest suppliers accounted for 35% (2011: 37%) of the total purchases for the year of which purchases from the largest supplier included therein accounted for 31% (2011: 33%) of the total purchases.

Continuing Connected Transactions

Continuing connected transactions required to be disclosed in accordance with Chapter 14A of the Listing Rules, are disclosed in the Corporate Governance Report on pages 67 to 71.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at both 31 December 2012 and the date of this report.

Directors' and Officers' Liability Insurance

During the year, the Company has maintained appropriate Directors' and officers' liability insurance for all Directors and officers of the Company and its related companies, save in those instances where individual companies have maintained their own coverage.

Employment Policy

The Company has a policy of non-discrimination in respect of the age, religion, gender, race, disability or marital status of employees and prospective employees. This ensures that individuals are treated equally, given their skills and abilities, in terms of career development and opportunities for advancement.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board of Directors

Nancy L.M. Li
Company Secretary

Hong Kong
19 March 2013

ERNST & YOUNG
安永

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 92 to 182, 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 100 to 182 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 100 to 182 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 100 to 182 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 100 to 182 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

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
		Equity attributable to owners of the parent												
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 100 to 182 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 100 to 182 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 100 to 182 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 the inside back cover.

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 Telecommunications	The Philippines Infrastructure	The Philippines 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:

	2012		2011	
US$ millions	**Increase/ (decrease) (%)**	**Effects on fair value of plantations**	Increase/ (decrease) (%)	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

	Company	
US$ millions	**2012**	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 the inside back cover.

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 the inside back cover.

(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.

	PLDT		Philex		Meralco	
For the year ended/At 31 December US$ millions	**2012**	2011 (Restated)[i]	**2012**	2011 (Restated)[i]	**2012**	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

		Consolidated	
US$ millions		**2012**	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

	Consolidated	
US$ millions	**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:

	Consolidated	
US$ millions	**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

	Consolidated	
US$ millions	**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 comprehensive (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	Consolidated 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**
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	Consolidated 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
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)
(Charge)/credit 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

US$'000	Non-performance based 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

	Consolidated	
For the year ended 31 December US$ millions	**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

	Consolidated	
At 31 December US$ millions	**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 and their details are disclosed in the Corporate Governance Report on pages 67 to 70.

(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 and their details are disclosed in the Corporate Governance Report on page 71.

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

US$ millions	Consolidated 2012 Loans and receivables	2012 Available-for-sale financial assets	2012 Total	2011 Loans and receivables	2011 Available-for-sale financial assets	2011 Total	Company 2012 Loans and receivables	Company 2011 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.

US$ millions	Consolidated 2012	Consolidated 2011	Company 2012	Company 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:

	Consolidated	
US$ millions	**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

	Consolidated	
At 31 December US$ millions	**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.

Glossary of Terms

Financial Terms

ADJUSTED NAV PER SHARE Total valuation calculated based on quoted share prices of listed investments and book values of Head Office assets and liabilities divided by number of shares in issue

CONCESSION ASSETS Fair value of concessions of right granted by governments under service concession arrangements to charge users of public service provided

DEFINED BENEFIT SCHEME A retirement scheme in which the rules specify the benefits to be paid and the scheme is financed accordingly. Generally, benefits are determined using actuarial valuations which involve by a formula that takes into account of the final salary and the number of years of service of each member

DEFINED CONTRIBUTION SCHEME A retirement scheme under which the benefits are directly determined by the value of contributions paid in respect of each member

EBIT Earnings Before Interest and Tax

EBIT MARGIN EBIT divided by turnover

EBITDA Earnings Before Interest, Tax, Depreciation and Amortization

EBITDA MARGIN EBITDA divided by turnover

GROSS PROFIT MARGIN Gross profit divided by turnover

IMPAIRMENT PROVISION Provision made to reduce the carrying amount of an asset to its recoverable amount

NAV Net Asset Value

NET ASSETS Total assets less total liabilities, equivalent to total equity

NET CURRENT ASSETS/LIABILITIES Current assets less current liabilities

NET DEBT Total of short-term and long-term borrowings, net of cash and cash equivalents and pledged deposits and restricted cash

RECURRING PROFIT Profit attributable to owners of the parent excluding foreign exchange and derivative gains/losses, gain/loss on changes in fair value of plantations and non-recurring items

Financial Ratios

BASIC EARNINGS PER SHARE Profit attributable to owners of the parent divided by weighted average number of shares in issue during the year

CASH INTEREST COVER Dividend and fee income less overhead expense divided by net cash interest expense

CURRENT RATIO Current assets divided by current liabilities

DILUTED EARNINGS PER SHARE Profit attributable to owners of the parent adjusted for the effect of assumed conversion of all dilutive potential ordinary shares divided by weighted average number of shares in issue during the year plus the weighted average number of ordinary shares which would be issued on the assumed conversion of all dilutive potential ordinary shares

DIVIDEND PAYOUT RATIO Ordinary share dividends paid and recommended divided by recurring profit

DIVIDEND YIELD Dividends per share divided by share price

GEARING RATIO Net debt divided by total equity

INTEREST COVER Profit before taxation (excluding foreign exchange and derivative gains/losses, gain/loss on changes in fair value of plantations and non-recurring items) and net finance costs divided by net finance costs

NET CASH FLOWS FROM OPERATING ACTIVITIES Net cash flows from operating activities divided by weighted average number of shares in issue during the year

NET TANGIBLE ASSETS PER SHARE Total assets (excluding goodwill and other intangible assets) divided by number of shares in issue

RECURRING RETURN ON AVERAGE EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT Recurring profit divided by average equity attributable to owners of the parent

RECURRING RETURN ON AVERAGE NET ASSETS Recurring profit divided by average net assets

SHARE PRICE DISCOUNT TO ADJUSTED NAV PER SHARE Shortfall between share price and adjusted NAV per share divided by adjusted NAV per share

TOTAL ASSETS PER SHARE Total assets divided by number of shares in issue

Other

ADR American Depositary Receipts

AGM Annual General Meeting

ARPU Average Revenue Per User

CNO Coconut Oil

CPO Crude Palm Oil

DSL Digital Subscriber Line

FFB Fresh Fruit Brunches

GAAP Generally Accepted Accounting Principles

GSM Global System for Mobile Communications

GWH Gigawatt Hour

HKAS Hong Kong Accounting Standards

HKFRS Hong Kong Financial Reporting Standards

HKICPA Hong Kong Institute of Certified Public Accountants

HK(IFRIC)–Int Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation

HK(SIC)–Int Hong Kong (Standing Interpretation Committees) – Interpretation

IDX Indonesia Stock Exchange

IFRS International Financial Reporting Standards

KWH Kilowatt Hour

LISTING RULES The Rules Governing the Listing of Securities on SEHK

NYSE The New York Stock Exchange

PKO Palm Kernel Oil

PSE The Philippine Stock Exchange, Inc.

RSS1 Rubber Smoke Sheet 1

SEHK The Stock Exchange of Hong Kong Limited

SGM Special General Meeting

2G The second generation of mobile phone technology

3G The third generation of mobile phone technology

4G The fourth generation of mobile phone technology

Information for Investors

Financial Diary

Preliminary announcement of 2012 results	19 March 2013
Annual report posted to shareholders	26 April 2013
Annual General Meeting	30 May 2013
Last day to register for final dividend	10 June 2013
Payment of final dividend	24 June 2013
Preliminary announcement of 2013 interim results	28 August 2013*
Interim report posted to shareholders	25 September 2013*
Financial year-end	31 December 2013
Preliminary announcement of 2013 results	18 March 2014*

* Subject to confirmation

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Share Information

First Pacific shares are listed on The Stock Exchange of Hong Kong Limited and are traded over the counter in the United States in the form of American Depositary Receipts

Listing date : 12 September 1988
Par value : U.S.1 cent per share
Lot size : 2,000 shares
Number of ordinary shares issued: 3,827,587,751*

* after deduction of 2,572,000 repurchased ordinary shares cancelled subsequent to 31 December 2012

Stock Codes

SEHK : 00142
Bloomberg : 142 HK
Thomson Reuters : 0142.HK

American Depositary Receipts (ADRs) Information

Level: 1
ADRs Code: FPAFY
CUSIP reference number: 335889200
ADRs to ordinary shares ratio: 1:5
ADRs depositary bank: Deutsche Bank Trust Company Americas (With effect from 20 March 2012)

To Consolidate Shareholdings

Write to our principal share registrar and transfer office in Bermuda at:

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11, Bermuda

Or the Hong Kong branch registrar at:

Computershare Hong Kong Investor Services Limited

Registrar Office

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183 Queen's Road East, Wanchai, Hong Kong SAR
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A Chinese Version of this Report, or Additional Information

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Principal Bankers

Credit Agricole Corporate and Investment Bank
Hongkong & Shanghai Banking Corporation
Malayan Banking Berhad
Mizuho Corporate Bank, Ltd.
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Bank of Philippine Islands
Metropolitan Bank & Trust Company

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 American 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

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