



First Pacific Company Limited Annual Report 2005

Stock Code : 00142



Corporate Profile

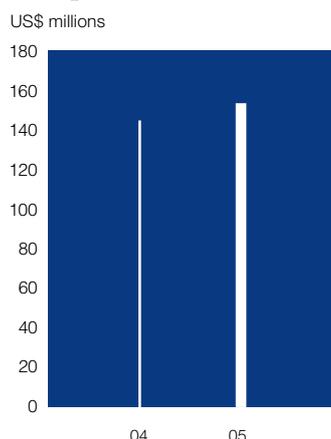
First Pacific is a Hong Kong-based investment and management company with operations located in Southeast Asia. Its principal business interests relate to Telecommunications and Consumer Food Products.

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

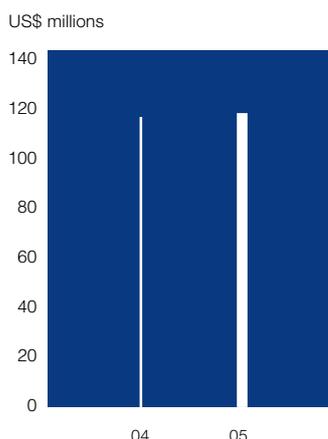
First Pacific's principal investments are summarized on the inside back cover.

Financial Highlights

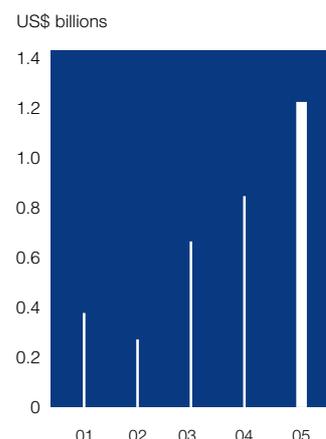
Contribution from Operations



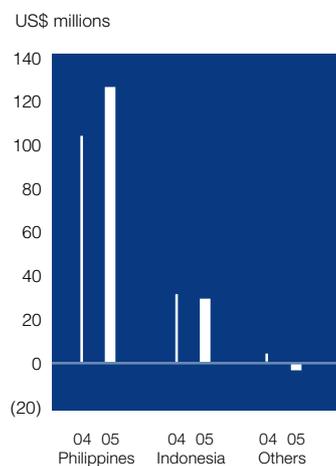
Recurring Profit



Market Capitalization

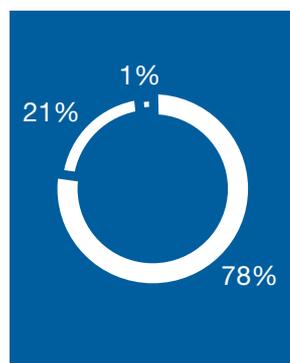


Contribution by Country



Adjusted Net Asset Value by Country

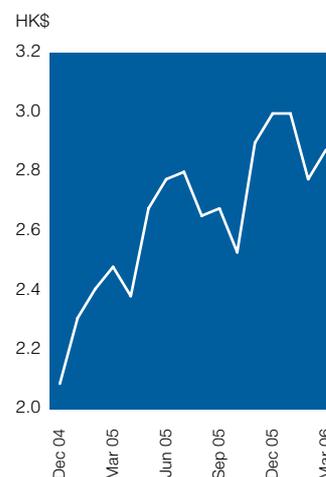
31 December 2005



US\$ millions

Philippines	1,491.5
Indonesia	407.0
Others	15.0
Total	1,913.5

Share Price Performance



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Chairman's Letter



Dear Shareholders,

Last year I remarked on the progress First Pacific has made in strengthening our telecommunications business, while noting the efforts underway to revitalize and re-energize our consumer food operations.

Those efforts are producing the desired results. Last year, PLDT reported another consecutive year of record profits. The First Pacific team at PLDT continues to improve and reinforce First Pacific's underlying contributions: our ability to focus on improving profit drivers, our determination to reduce costs, and our ability to infuse an organization with an entrepreneurial spirit. Combined, those factors enabled the 76-year old PLDT to move with the flexibility and dexterity of a first-mover and small business.

At Indofood, I am determined that the ongoing restructuring and reorganization of its supply, production and distribution lines will result in better efficiencies. Indofood represents a complex array of businesses, using a variety of technologies and sales methodologies - many of which require streamlining, reorganizing and re-engineering. The resulting Indofood will be an organization that is better positioned to hold and grow its dominant market share, offer new products to new markets and better withstand competitive challenges.

At Metro Pacific, the task of reducing debts has been completed and we can now focus on achieving new growth, after so many years of looking inward. Metro Pacific is now on a deliberate search for new investments, a process in which we anticipate making real progress this year.

Again, I point to the quiet transformation occurring across First Pacific which, despite challenges, is taking place. That transformation could not be possible without your continued understanding and support for which, on behalf of the Board, I extend my deepest appreciation.

Cordially,

ANTHONI SALIM

Chairman

31 March 2006

Managing Director and Chief Executive Officer's Letter



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My Fellow Shareholders,

Our performance in this year of transition has been mixed.

On the one hand, PLDT continued to outperform expectations, and exceed its targets. It consolidated its market position, further built on its dominance in the Philippines' landline, wireless and data markets, and recorded a third consecutive year of record profits. PLDT has emerged as one of Asia's leading telecommunications companies, and the generally benign Philippine economic environment of 2005 enabled it to build on almost every area of its businesses.

On the other hand, Indofood was faced with considerable challenges which placed considerable pressure on its ability to meet its profit targets. An already difficult Indonesian macro-economic climate was exacerbated by higher commodity prices and increases in basic fuel and transportation costs. Consequently, margins were put under pressure for much of Indofood's branded products as operating costs escalated.

Despite these contrasting performances of our two major assets, we managed to report a modest increase in recurring profit for the year, despite higher financing expenses at head office. However, our reported net profit declined because of a (non-cash) loss incurred on revaluation of options embedded within the US\$199 million Exchangeable Notes issued in January 2005.

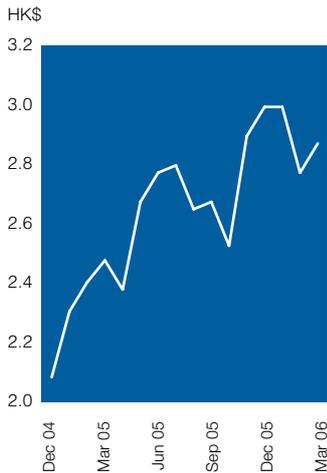
Against this backdrop, our expectations for the year 2006 are more sanguine. Let me take this opportunity to outline in broad terms our approach to 2006 prospects.

First, we will endeavour to ensure that PLDT continues to deliver performance, as it has consistently in the past. A host of innovative product and service offerings, ranging from the Philippines' first nationwide rollout of competitively priced 3G services, to wireless Wi-Fi, to its growing call center and back office processing businesses, will grow PLDT's revenue line for the year. Moreover, PLDT is making new investments in its IP-based Next Generation Network (NGN) capable of handling greater amounts of data communications, as well as providing traditional products such as voice - all at much lower infrastructure and delivery costs. Also, this NGN presents us with a platform to create new content offerings for our millions of subscribers at more affordable prices.

Whilst we are confident that the cumulative effect of these initiatives should improve PLDT's position in the coming year, we caution against exuberance. PLDT is transitioning along with the Philippine telecommunications landscape to a state where the best providers of enriched and value-added content at affordable prices will consistently deliver profit and cash flow growth, and enhanced market share.

Second, First Pacific intends to sustain the momentum of Indofood's re-engineering and restructuring processes. In late 2004 First Pacific's Chairman, who is the concurrent President Director and CEO of Indofood, embarked on a broad-based program to examine each area of Indofood's supply, production, marketing and distribution systems. Progress has been made since this initiative was launched. Indofood is merging various

**First Pacific
Share Price Performance**



business units to create economies of scale which can reduce raw material costs and acquire supply sources of its own more efficiently. Disparate distribution systems are being unified under a single corporate entity and with simplified technology. New joint venture partnerships, such as with Nestlé S.A., stand to create new product offerings for key markets.

Third, First Pacific is mindful about seeking and making new investments in 2006 which can generate new areas of potential growth. Our issuance of the Exchangeable Notes mentioned earlier is intended to fund such an investment program. First Pacific can draw upon significant additional resources in order to acquire any one or more of a number of attractive and significant assets in telecommunications, consumer products - especially food - and infrastructure which may be available in the region.

We have outlined our investment strategy in previous fora here in Hong Kong and elsewhere. However, it bears my repeating these general criteria which inform such a strategy: we look for substantial value-creating opportunities that may be presently overlooked by existing owners and management. And we must ensure our ability to control the key management functions of an asset in order to effect real changes. As I said in my message to you last year, these criteria have increasingly assumed importance because investment cycles have become shorter than before.

Finally, it is also worthwhile to note that as of last year, First Pacific's listed Philippine property unit, Metro Pacific, has effectively completed its multi-year debt workout. A recapitalization plan is now being crafted, along with a new business plan, to put Metro Pacific back on its feet after a long hiatus. First Pacific has also made a modest investment last year in a promising online gaming business called Level Up. Its gaming operations extend across the Philippines, Brazil and India.

I would like to close this letter by saying that we enter the new year with our historic spirit of determination and optimism regarding our future. Let me thank all our shareholders most sincerely for their continued support as we approach our 25th year of corporate life.

Cordially,

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer
31 March 2006

Goals

First Pacific

- **Goal:** Improve share price performance
Achievement: Achieved. Share price increased by over 44 per cent from HK\$2.075 to HK\$3.00 during 2005, which was the highest in the past five years.
- **Goal:** Continue to evaluate value-enhancing opportunities in the region that have the potential to provide synergies with the existing operations principally in the telecommunications, consumer food products, property and infrastructure sectors
Achievement: Partially achieved and ongoing. Concluded an investment of US\$15 million for a 25 per cent interest in Level Up – a publisher of online games. Continue to evaluate strategic investment opportunities in the consumer food products, telecommunications, infrastructure and property sectors in the region.
- **Goal:** Raise funds and financing for expansion opportunities
Achievement: Achieved. Successfully raised US\$199 million in January 2005 by issuing a five-year Exchangeable Notes and maintained a strong liquidity position with cash balance of US\$197.1 million at 2005 year end.
- **Goal:** Continue to enhance recurrent profits and cash flow
Achievement: Achieved. Recurrent profits improved by 0.3 per cent to US\$117.2 million. Received dividends of US\$39 million from PLDT and expect to receive approximately US\$20 million as PLDT's 2005 final dividend in April 2006. Collected US\$7 million from Indofood as final dividend for 2004.
- **Goal:** Pay dividends to shareholders in respect of the 2005 financial year, subject to continued strong performance by PLDT and Indofood
Achievement: Achieved. Paid interim dividend of HK1.00 cent per share in October 2005 and recommended a final dividend of HK2.00 cents per share to be paid in June 2006. Dividend payout ratio for 2005 is approximately 10 per cent of recurring profit.
- **Goal:** Continue to strengthen corporate governance practices
Achievement: Achieved. First Pacific has adopted its own code on corporate governance practices and is in compliance with all of the code provisions and most of the recommended best practices as set out in Appendix 14 of the Listing Rules. The First Pacific Code together with the terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the corporate website www.firstpacco.com.

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Review of
Goals for

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First Pacific

- Continue to improve share price performance
- Continue to evaluate investment opportunities in telecommunications, infrastructure or consumer food products industries in the region
- Raise funds with improved terms for funding expansion opportunities
- Maintain dividend payments to shareholders subject to continued strong performance of PLDT and further improved performance of Indofood

PLDT

- **Goal:** Continue to reduce debts by US\$500 million and increase dividends to common shareholders to a minimum of 15 per cent of 2005 earnings per share
Achievement: Achieved. Reduced consolidated debt by US\$713 million which is 43 per cent ahead of the original target of US\$500 million. Total dividends for 2005 reached Pesos 70 (US\$1.27) per share which represents a 40 per cent payout of 2005 core earnings.
- **Goal:** Maintain market leadership by introducing more product innovations
Achievement: Achieved. PLDT remains the market leader in the wireless, fixed line and information and communications technology sectors. The consolidated subscriber base of Smart and Piltel, Smart's 92.1 per cent owned subsidiary, reached 20.4 million, or a subscriber market share of approximately 59 per cent. Fixed line subscribers stabilized at 2.1 million, representing a market share of approximately 66 per cent. The cellular network provided coverage to over 99 per cent of the population. Smart also introduced more affordable, value added and innovative services during the year including *Smart's 25th Unlimited Call and Text*. Smart was also the first to offer 3G services in February 2006 – the first service provider in the Philippines to do so. ePLDT's call center, Internet café and data center continued to expand and increase capacity utilization. ePLDT's combined call center operations now have over 3,300 seats while Netopia has over 180 Internet cafés nationwide. Vitro internet data center increased its capacity utilization by 75 per cent during the year.
- **Goal:** Commence the upgrade to an IP-based network and increase broadband capabilities
Achievement: Achieved and ongoing. DSL and wireless broadband subscribers more than doubled to 114,000. Bandwidth capacity increased to 5,005 Mbps from 2,075 Mbps in 2004. *Smart Wi-Fi*, which is a broadband wireless service, recorded 25,000 subscribers since its launch in June 2005.
- **Goal:** Develop bundled products and services across the Fixed Line, Wireless, and Information and Communications Technology business groups
Achievement: Achieved. Bundling of fixed line and cellular packages for corporate accounts enlarged Smart market share in the corporate market. PLDT *WeRoam*, a full-mobility wireless broadband service offering launched in March 2005, allows users to connect to the internet via Smart's extensive GPRS/EDGE network and also through Wi-Fi hotspots of Airborne Access, a subsidiary of ePLDT. Consolidated service revenues rose 5 per cent to Pesos 121.1 billion (US\$2.2 billion) and net income improved by 22 per cent to Pesos 34.1 billion (US\$620 million).



PLDT

- Continue to build out the Next Generation Network and roll out wireless broadband in order to increase broadband subscribers and expand the Group's data/broadband capabilities
- Maximize Smart's 2G network by developing content and new services to encourage higher usage and penetrate lower income segments
- Introduce 3G technology and develop services and applications to encourage usage
- Reduce debt by a minimum of US\$300 million
- Raise dividends to common shareholders to a minimum of 50 per cent of 2006 core earnings

Indofood

- **Goal:** Continue to maintain market leadership position
Achievement: Achieved. Indofood is repositioned as a total food solutions provider. The new business structure and management's continuing efforts to improve efficiency strengthened Indofood's market position in Indonesia's consumer food sector. Market shares by volume for noodles, flour, branded cooking oils, margarine and shortening are approximately 74 per cent, 65 per cent, 42 per cent and 59 per cent respectively.
- **Goal:** To enhance shareholders' value through separately listing Bogasari
Achievement: On hold. Shareholders' value will not be maximized under current unfavorable equity market conditions in Indonesia. The management will continue to monitor market developments for this plan.
- **Goal:** Continue to focus on implementing Indofood's business strategies, cut costs, increase distribution efficiency, as well as streamline product ranges and business processes
Achievement: Ongoing. Personnel reduction in 2005 totalled around 5,800. Together with new acquisitions, permanent personnel stood at about 46,300 at year-end, excluding unconsolidated companies. Distribution improved with the establishments of stock points to enhance delivery efficiency and understanding of local district market demand resulting in higher sales and lower inventory level. Target to significantly increase stock points by the end of 2006.
- **Goal:** Manage foreign currency exposure by reducing foreign currency borrowings
Achievement: Achieved. Indofood repurchased US\$166.3 million Eurobonds with an outstanding balance of US\$143.7 million as at 31 March 2006. On 2 March 2006, Indofood obtained a favorable ruling from the UK court to provide it a basis to redeem its Eurobonds at par. Indofood will use funds from operations and bank loans to redeem the outstanding Eurobonds.
- **Goal:** Explore expansion opportunities in the Asian consumer food products industry and leverage potential synergies with Indofood
Achievement: Achieved. Nestlé joint venture concluded in early 2005 which strengthens marketing and branding of Indofood culinary products. Indofood acquired additional oil palm plantations and is in the process of acquiring a 70 per cent equity interest in an oil palm breeding and research management company. Oil palm plantations cover more than 95,000 hectares as at year-end 2005, an increase of approximately 60 per cent during the year. Other expansion opportunities are being evaluated.



Indofood

- Implement and continue to enhance the new distribution system to improve sales and area-specific product mix
- Continue to focus on branded products and expand revenue through domestic, regional and international business development
- Continue to strengthen market leadership position
- Continue to expand oil palm plantation areas to be able to meet the supply requirements of its edible oil refineries
- Further reduce foreign currency exposure by reducing foreign currency debt
- Continue operational efficiency enhancement and cost reduction program

Metro Pacific

- **Goal:** Continue to explore investment opportunities in property and infrastructure sectors
Achievement: Ongoing. Metro Pacific announced in March 2006 a recapitalization and reorganization plan which seeks to accelerate the growth of its property development businesses and capture infrastructure opportunities in the Philippines through a newly incorporated company – Metro Pacific Investments Corporation.
- **Goal:** Complete debt reduction program and significantly reduce contingent liabilities
Achievement: Significantly achieved. Debt reduced by approximately Pesos 500 million (US\$9.1 million) to Pesos 732 million (US\$13.8 million), of which Pesos 525 million (US\$9.9 million) are subject to final documentation and are expected to complete by the end of 2006.
- **Goal:** Position Landco for new growth by participating in provincial shopping centers and hotel management businesses
Achievement: Achieved and ongoing. Ongoing expansion work at Pacific Malls in Legaspi and Lucena cities will continue through 2007 and development work has begun on a new Pacific Mall in Naga City. Fuego Hotels continues to explore a variety of new management contracts and is actively overseeing expansion of its Tagatay hotel project.
- **Goal:** Implement the rehabilitation plan for Nenaco
Achievement: Ongoing. The rehabilitation plan benefiting the company from the revised lower interest rates and extended loan maturity and repayment terms which allowed the management to focus on improving operating efficiency. Loss during the year reduced to Pesos 126 million (US\$2.3 million).



Metro Pacific

- Complete recapitalization and reorganization plan
- Strengthen Landco's position as a diversified property developer through support to key expansion projects
- Continue to explore investment opportunities in the infrastructure sector
- Continue implementing rehabilitation program for Nenaco

Level Up

- Diversify and expand games portfolio
- Grow subscriber base in higher growth markets in Brazil and India
- Develop supplementary non-game revenue sources
- Build alliances and dominant distribution network
- Further build "Level Up!" brand

Board of Directors and Senior Executives

Board of Directors



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ANTHONI SALIM

Chairman

Age 57, born in Indonesia. Mr. Salim is the son of Soedono Salim. He graduated from Ewell County Technical College in London. Mr. Salim is the President and CEO of the Salim Group, President Director and CEO of PT Indofood Sukses Makmur Tbk, and holds positions as Commissioner and Director in various companies, including Elders Australia Limited and Futuris Corporation Limited.

Mr. Salim serves on the Boards of Advisors of several multi-national companies. He was a member of the GE International Advisory Board from September 1994, and is currently a member of the Advisory Board of ALLIANZ Group, an insurance company based in Germany, and Rabo Bank of the Netherlands. He joined the Asia Business Council in September 2004.

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



MANUEL V. PANGILINAN

Managing Director and Chief Executive Officer

Age 59, born in the Philippines. Mr. Pangilinan received a BA from Ateneo de Manila University and an MBA from University of Pennsylvania's Wharton School before working in the Philippines and Hong Kong for the PHINMA Group, Bancom International Limited and American Express Bank. He served as First Pacific's Managing Director after founding the Company in 1981, was appointed Executive Chairman in February 1999 and resumed the role of Managing Director and CEO in June 2003.

Mr. Pangilinan also served as President and CEO of PLDT since November 1998 and was appointed Chairman of PLDT in February 2004. He is the Chairman of Metro Pacific Corporation, Smart Communications, Inc., Pilipino Telephone Corporation, and Landco Pacific Corporation, as well as the President Commissioner of PT Indofood Sukses Makmur Tbk. He also holds directorships in Negros Navigation Co., Inc. and Citra Metro Manila Tollways, Corporation. Mr. Pangilinan is Chairman of the Board of Trustees of Ateneo de Manila University, Chairman of the Board of Directors of Medical Doctors Inc (Makati Medical Center), and Chairman of the non-profit organization, Philippine Business for Social Progress. He is also Chairman of the Hong Kong Bayanihan Foundation, a civic organization based in Hong Kong. He was awarded an Honorary Doctorate in Humanities by San Beda College in the Philippines in January 2002.



EDWARD A. TORTORICI

Executive Director

Age 66, born in the United States. Mr. Tortorici received a BS from New York University and an MS 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 worldwide.

In 1987 Mr. Tortorici joined First Pacific as an Executive Director 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 restructuring activities. Mr. Tortorici also serves as a Commissioner of consumer foods company, PT Indofood Sukses Makmur Tbk, and cellular provider PT Mobile-8 Telecom, and is a Director of ACeS International Limited, all corporations based in Indonesia. He is also a Director of Metro Pacific Corporation and Landco Pacific Corporation, companies located in the Philippines.



ROBERT C. NICHOLSON

Executive Director

Age 50, born in Scotland. Mr. Nicholson qualified as a solicitor in England and Wales in 1980 and in Hong Kong in 1982. He was a senior partner of Richards Butler from 1985 to 2001 where he established the corporate and commercial department. He has had wide experience in corporate finance and cross-border transactions, including mergers and acquisitions, regional telecommunications, debt and equity capital markets, corporate reorganizations and the privatization of state-owned enterprises in the People's Republic of China.

Mr. Nicholson was a senior advisor to the Board of Directors of PCCW Limited between August 2001 and September 2003. He is an Independent Non-executive Director of QPL International Holdings Limited and Pacific Basin Shipping Limited. In November 2005, he became a Non-executive Director of India Capital Growth Fund Limited which is listed on the AIM market of the London Stock Exchange. Mr. Nicholson serves as a Commissioner of PT Indofood Sukses Makmur Tbk and is a Director of Level Up! International Holdings Pte Ltd. He joined First Pacific's Board in June 2003 and was named an Executive Director in November 2003.

Board of Directors (cont'd)

PROFESSOR EDWARD K.Y. CHEN, *GBS, CBE, JP*

Independent Non-executive Director

Age 61, born in Hong Kong and educated at the University of Hong Kong and Oxford University. Professor Chen serves as President of Lingnan University; an Independent Non-executive Director of Asia Satellite Telecommunications, China Resources Peoples Telephone Limited and Wharf Holdings Limited. He is the trustee for Eaton Vance Management Funds. Formerly, Professor Chen served as Chairman of Hong Kong's Consumer Council; as an Executive Councillor of the Hong Kong Government; and as a Legislative Councillor. Professor Chen joined First Pacific's Board in 1993.

DAVID W.C. TANG, *OBE, Chevalier de L'Ordre des Arts et des Lettres*

Independent Non-executive Director

Age 51, born in Hong Kong, Mr. Tang was educated locally and then Cambridge, London and Beijing, where he also taught English and Philosophy. Mr. Tang is the founder of Shanghai Tang; the China Clubs in Beijing, Hong Kong and Singapore; China Tang in London and Pacific Cigars. He joined First Pacific's Board in 1989.

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GRAHAM L. PICKLES

Independent Non-executive Director

Age 49, born in Australia. Mr. Pickles holds a Bachelor of Business degree (majoring in accounting). He is a member of the Certified Practising Accountants of Australia, and is a Fellow of the Australian Institute of Directors.

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.

Mr. Pickles serves as a Commissioner of PT Indofood Sukses Makmur Tbk. He was previously the CEO of Tech Pacific Holdings Limited, a wholly-owned subsidiary of First Pacific Company Limited until Tech Pacific was sold in 1997. Mr. Pickles 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.

HIS EXCELLENCY ALBERT F. DEL ROSARIO

Non-executive Director

Age 66, born in the Philippines. Currently Ambassador Extraordinary Plenipotentiary of the Republic of the Philippines to the United States of America, Ambassador del Rosario earned his Bachelor's degree in economics at the New York University. He is currently Chairman of Gotuaco, del Rosario and Associates, Inc., Asia Traders Insurance Corporation and the Philippine Center Management Board Inc. (San Francisco and New York), and serves as Commissioner or Director in numerous companies and non-profit organizations including PT Indofood Sukses Makmur Tbk, Philippine Long Distance Telephone Company, Infrontier (Philippines) Inc., and Philippine Cancer Society. He also headed the development of the Pacific Plaza Towers, Metro Pacific Corporation's signature project at Fort Bonifacio.

In September 2004, Ambassador del Rosario was conferred the Order of Sikatuna Rank of Datu by H.E. President Gloria Macapagal-Arroyo for his outstanding efforts in promoting foreign relations. He is also a recipient of the EDSA II Presidential Heroes Award in recognition of his work in fostering Philippine Democracy and the Philippine Army Award from H.E. President Corazon Aquino for his accomplishments as Chairman of the Makati Foundation for Education. Ambassador del Rosario joined First Pacific's Board in June 2003.

Advisors

SUTANTO DJUHAR

Non-executive Director

Age 77, born in Indonesia. Mr. Djuhar has founded numerous Indonesian companies involved primarily in real estate development. He is a Commissioner of PT Kartika Chandra and serves as a Director of PT Bogasari Flour Mills and Pacific Industries and Development Limited. Mr. Djuhar, who is the father of Tedy Djuhar, joined First Pacific's Board in 1981.

TEDY DJUHAR

Non-executive Director

Age 54, born in Indonesia. Mr. Djuhar is the Vice President Director of PT Indocement Tunggol Prakarsa Tbk, Director of Pacific Industries and Development Limited, and Director of a number of other Indonesian companies. He is the son of Sutanto Djuhar. Mr. Djuhar joined First Pacific's Board in 1981.

IBRAHIM RISJAD

Non-executive Director

Age 72, born in Indonesia. Mr. Risjad serves as a Commissioner of PT Indofood Sukses Makmur Tbk. He joined First Pacific's Board in 1981.

BENNY S. SANTOSO

Non-executive Director

Age 48, born in Indonesia. Mr. Santoso serves as a Director of PT Indocement Tunggol Prakarsa Tbk, and a Commissioner of PT Indofood Sukses Makmur Tbk and PT Indosiar Visual Mandiri Tbk. He also serves as a Director or a Commissioner of a number of other Indonesian companies. Mr. Santoso joined First Pacific's Board in June 2003.

SOEDONO SALIM

Honorary Chairman and Advisor to the Board

Age 91, born in China. Mr. Salim served as First Pacific's Chairman from 1981 until February 1999, when he assumed his current titles. He serves as Chairman of the Salim Group.

SUDWIKATMONO

Advisor to the Board

Age 72, born in Indonesia. Mr. Sudwikatmono served as a Director of First Pacific from 1981 until February 1999, when he assumed his current title. He is a Vice President Commissioner of PT Indocement Tunggol Prakarsa Tbk and holds board positions with a number of other Indonesian companies.

Senior Executives



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MAISIE M.S. LAM

Executive Vice President
Group Human Resources

Age 51, 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

Executive Vice President
Group Finance

Age 43, born in Hong Kong. Mr. Ng received an MBA and a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants and of the Association of Chartered Certified Accountants. Mr. Ng joined First Pacific in 1988 from Price Waterhouse'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 First Pacific group. He is a Director of Level Up! International Holdings Pte Ltd.

NANCY L.M. LI

Assistant Vice President
Company Secretary

Age 48, born in Hong Kong. Ms. Li received a BA from McMaster University in Canada and a Postgraduate Diploma 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.



RICHARD P.C. CHAN

Assistant Vice President
Group Finance

Age 36, born in Hong Kong. Mr. Chan received a BBA (Hons) degree from the 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 over 10 years' 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

Assistant Vice President
Group Corporate Communications

Age 42, born in Hong Kong. Ms. Cheung received a BA in Business Economics from UCLA (University of California, Los Angeles) and an MBA from Southern Illinois University, Carbondale. She is a member of the National Investor Relations Institute. Ms. Cheung joined First Pacific in 1997 from the Public Affairs department of Wharf Limited and Wheelock and Company Limited.



PETER T.H. LIN

Assistant Vice President
Group Tax and Treasury

Age 36, born in Hong Kong. Mr. Lin received an MSc in Management Sciences and BSc in Economics and Statistics from the University of Southampton and Coventry University respectively. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Tax Institute. Mr. Lin joined First Pacific in 1998 from KPMG where he had worked for 6 years specializing in the tax field.

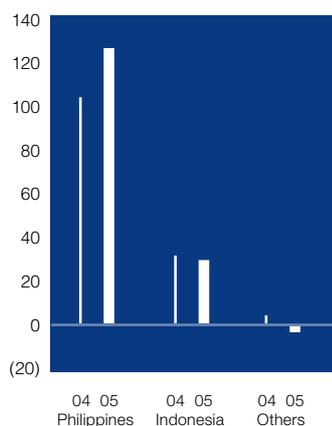
Review of Operations

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Contribution by Country

US\$ millions



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Contribution Summary

For the year ended 31 December US\$ millions	Turnover		Contribution to Group profit ⁽ⁱ⁾	
	2005	2004	2005	2004 (Restated) ⁽ⁱⁱ⁾
PLDT ⁽ⁱⁱⁱ⁾	-	-	132.2	117.1
Indofood	1,923.4	1,995.8	29.6	33.4
Metro Pacific	62.7	58.8	(6.0)	(9.4)
Level Up ^(iv)	-	-	(1.5)	-
From continuing businesses	1,986.1	2,054.6	154.3	141.1
From a discontinued operation ^(v)	-	-	-	1.9
From operations	1,986.1	2,054.6	154.3	143.0
Head Office items:				
- Corporate overhead			(11.5)	(10.0)
- Net interest expense			(20.3)	(12.6)
- Other expenses			(5.3)	(3.6)
Recurring profit			117.2	116.8
Foreign exchange and derivative losses			(18.5)	(15.9)
Non-recurring items ^(v)			4.3	23.0
Profit attributable to equity holders of the parent			103.0	123.9

(i) After taxation and minority interest, where appropriate.

(ii) The Group has restated its 2004 profit attributable to equity holders of the parent from US\$134.5 million to US\$123.9 million following the adoption of HKFRSs issued by the HKICPA which became effective on 1 January 2005. Details of the restatements are set out in Note 2(B) to the Financial Statements.

(iii) Associated companies.

(iv) Represents Escotel.

(v) 2005's non-recurring gains of US\$4.3 million mainly comprise goodwill compensation received by Indofood in connection to the establishment of a joint venture entity of US\$4.8 million, Metro Pacific's agreed one-time adjustments made to amounts owed to certain creditors, partly offset by a loss on dilution of the Group's 1.4 per cent interest in PLDT of US\$6.3 million, whereas 2004's non-recurring gains of US\$23.0 million mainly comprise gain on disposal of 49 per cent interest in Escotel (US\$17.1 million).

During the year, the Group's turnover decreased by 3.3 per cent, to US\$1,986.1 million (2004: US\$2,054.6 million), principally reflecting the effect of an 8.0 per cent depreciation in average rupiah exchange rate notwithstanding the approximately 4.7 per cent increase in Indofood's turnover in rupiah terms. First Pacific's continuing business interests improved their operating performance in 2005, recording profit contributions totaling US\$154.3 million (2004: US\$141.1 million), an increase of 9.4 per cent. Recurring profit marginally increased to US\$117.2 million, from US\$116.8 million in 2004. The Group recorded US\$18.5 million (2004: US\$15.9 million) net foreign exchange and derivative losses principally due to a US\$25.4 million loss on revaluation of option element embedded in Head Office's Exchangeable Notes and foreign exchange translation differences on its unhedged foreign currency denominated borrowings, and US\$4.3 million (2004: US\$23.0 million) of net non-recurring gains. First Pacific recorded a net profit for 2005 of US\$103.0 million, a 16.9 per cent lower than the 2004's net profit of US\$123.9 million, which is mainly attributable to the non-cash loss of US\$25.4 million on revaluation of option embedded in the Exchangeable Notes as further analyzed in the Equity Market Risk section of the Financial Review on pages 36 and 37.

The Group's operating results are denominated in local currencies, principally the peso and 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 is summarized below.

Exchange rates against the U.S. dollar				Exchange rates against the U.S. dollar			
At 31 December	2005	2004	One year change	For the year ended 31 December	2005	2004	One year change
Closing				Average			
Peso	53.09	56.13	+5.7%	Peso	54.99	56.12	+2.1%
Rupiah	9,830	9,290	-5.5%	Rupiah	9,756	8,978	-8.0%

In 2005, the Group recorded net foreign exchange and derivative losses of US\$18.5 million including a US\$25.4 million loss on revaluation of option element embedded in Head Office's Exchangeable Notes and US\$6.9 million gains on foreign exchange translation differences on its unhedged foreign currency denominated borrowings principally as a result of appreciation of the peso, partly offset by the effect of depreciation of the rupiah. The foreign exchange and derivative losses may be further analyzed as follows:

US\$ millions	2005	2004
Head Office	(25.4)	-
Indofood	(6.1)	(11.9)
PLDT	12.8	(3.5)
Others	0.2	(0.5)
Total	(18.5)	(15.9)

PLDT

PLDT's operations are principally denominated in peso, which averaged Pesos 54.99 (2004: 56.12) 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. dollar. Despite the Philippine GAAP and Hong Kong GAAP being based largely on IFRSs with effect from 1 January 2005, certain adjustments still 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	2005	2004 (Restated)
Net income under Philippine GAAP	34,112	28,031
Preference dividends ⁽ⁱ⁾	(1,427)	(1,527)
Net income attributable to common shareholders	32,685	26,504
Differing accounting treatments ⁽ⁱⁱ⁾		
– Reclassification of non-recurring items	–	1,345
– Reversal of effects upon adoption of HKAS 39	–	(2,316)
– Others	(336)	417
Intragroup items ⁽ⁱⁱⁱ⁾	300	300
Adjusted net income under Hong Kong GAAP	32,649	26,250
Foreign exchange and derivative (gains)/losses ^(iv)	(2,859)	813
PLDT's net income as reported by First Pacific	29,790	27,063
US\$ millions		
Net income at prevailing average rates for 2005: Pesos 54.99 and 2004: Pesos 56.12	541.7	482.2
Contribution to First Pacific Group profit, at an average shareholding of 2005: 24.4% and 2004: 24.3%	132.2	117.1

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

(ii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP. The principal adjustments include:

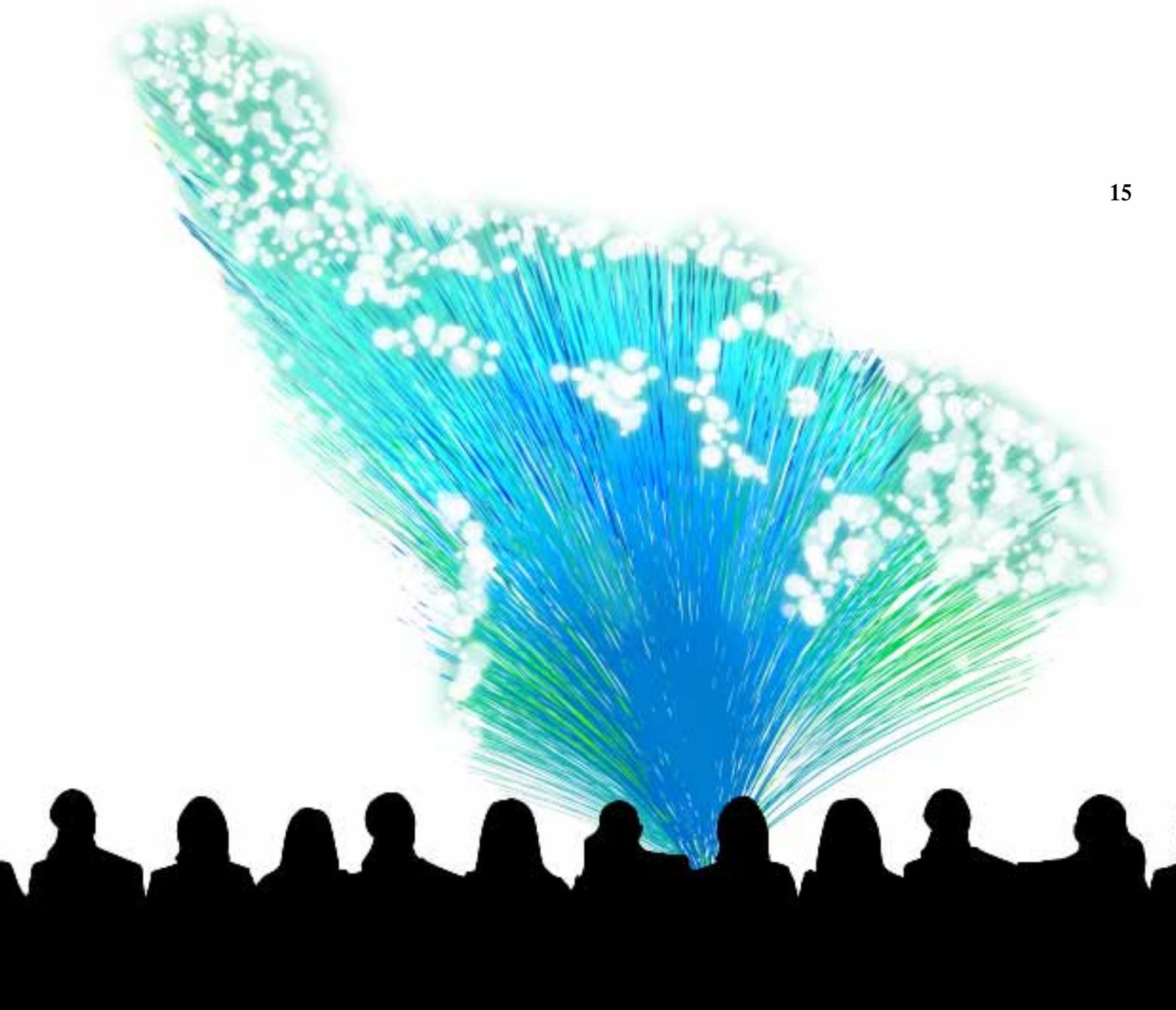
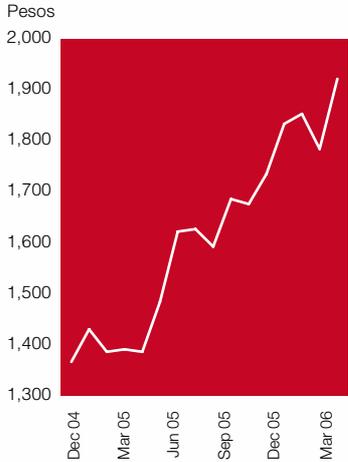
- Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual, operating items which are reallocated and presented separately. In 2004, asset impairment provisions and others of Pesos 1.3 billion were excluded and presented separately as non-recurring items.
- Reversal of effects upon adoption of HKAS 39: Under the transitional provisions, the cumulative financial impacts of adopting HKAS 39 as of 1 January 2005 have been taken up as an adjustment to opening accumulated losses.

(iii) These are standard consolidation adjustments to ensure that transactions between Group companies are eliminated to present the Group as a single economic entity.

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



**PLDT
Share Price Performance**



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			Profit		
	2005	2004	% change	2005	2004 (Restated)	% change
Wireless	1,357.9	1,229.8	+10.4	714.6	503.8	+41.8
Fixed Line	903.0	864.0	+4.5	133.7	314.8	-57.5
ICT*	53.7	37.1	+44.7	1.8	14.9	-87.9
Inter-segment elimination	(113.3)	(77.2)	+46.8	-	-	-
Total	2,201.3	2,053.7	+7.2			
Segment result				850.1	833.5	+2.0
Net borrowing costs				(219.1)	(217.1)	+0.9
Share of profits less losses of associates				0.1	(1.3)	-
Profit before taxation				631.1	615.1	+2.6
Taxation				(57.0)	(101.7)	-44.0
Profit for the year				574.1	513.4	+11.8
Minority interest				(6.7)	1.3	-
Profit attributable to equity holders				567.4	514.7	+10.2
Preference dividends				(25.7)	(32.5)	-20.9
Profit attributable to ordinary shareholders				541.7	482.2	+12.3
Average shareholding (%)				24.4	24.3	-
Contribution to group profit				132.2	117.1	+12.9

* Information and Communications Technology



Strong Wireless and Stable Landline Performance in 2005

PLDT contributed profits of US\$132.2 million to First Pacific in 2005, an increase of 12.9 per cent over US\$117.1 million in 2004. PLDT represented 85.7 per cent of First Pacific's 2005 contribution from operations. PLDT's tremendous success underscores First Pacific's ability to drive the transformation of a company into a highly successful, profitable operation in an industry that requires high capital investment and in a country where the mass population requires affordable telecommunications services.

The combination of a highly profitable wireless business and its stable fixed line operation enabled PLDT to improve its free cash flows by 40.1 per cent, to US\$931.8 million in 2005 (2004: US\$665.1 million). Approximately 80 per cent of this amount was employed to reduce consolidated debts by US\$713 million, ahead of PLDT's previously stated target of US\$500 million. The PLDT Group's consolidated debt balance has been reduced to a nominal value of US\$2.1 billion compared with almost US\$3.8 billion as of the end of 2002. As of the end of 2005, PLDT's debt to EBITDA and debt to free cash flow ratios improved to 1.4 times and 2.2 times respectively.

PLDT's success enabled its board to approve a final dividend of Pesos 28 (U.S. 51 cents) per share to common shareholders bringing the total dividend for 2005 to Pesos 70 (US\$1.27) per share, representing a payout ratio of approximately 40 per cent of 2005 core earnings. PLDT closed 2005 as the single largest capitalized company on the Philippine Stock Exchange at US\$6,249 million.

Wireless: Market Leader and Innovator

PLDT Group's wireless segment was the key driver for 2005's strong performance. Wireless service revenues for 2005 increased by 10.4 per cent to US\$1,357.9 million (2004: US\$1,229.8 million) mainly as a result of a 13 per cent increase in wireless data revenues. The growth in data revenues were driven by the growing popularity of promotions launched in 2005, particularly *Smart 25⁸ Unlimited Text* service. Consolidated wireless EBITDA improved by 15.1 per cent to US\$900.2 million (2004: US\$782.3 million) and EBITDA margins improved to 66 per cent (2004: 64 per cent). Capital expenditure of US\$160.0 million during the year enabled Smart to expand its nationwide presence to 4,305 GSM cell sites and 5,982 base stations, covering over 99 per cent of the total population. Total cellular subscriber base as at the end of 2005 grew by 1.2 million (net of churn), to 20.4 million, representing a market share of 59 per cent. This net subscriber addition takes into account the disconnections arising from the termination of SIM-swapping activities in 2005.

PLDT's wireless's product and service offerings cover a broad spectrum of demographic and market segments. Wireless services consist of wireless voice communications, wireless data communications (primarily through text messaging) and a variety of other value-added services. Value-added promotion *Smart 25⁸* was tailored to meet market demand for "bucket" type or fixed rate plans for voice and text services. In response to the continued high demand for unlimited and high network quality wireless services, Smart recently launched a new variant of *Smart 25⁸ Unlimited Text* as well as *Smart Load "All Text"*. *Smart Wi-Fi*, an innovative wireless broadband service launched in June 2005, has already attracted about 25,000 subscribers as of the end of 2005. Smart has over 1,000 wireless broadband capable base stations which allow very affordable, high-speed Internet services to customers particularly in areas with limited or no available DSL service.

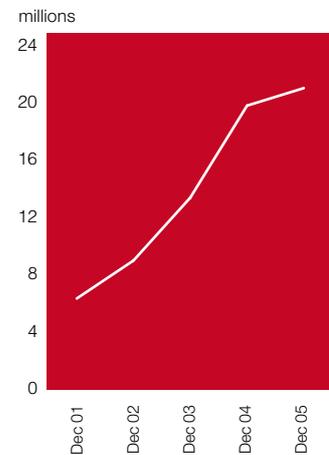
As of the end of 2005, the cellular penetration rate in the Philippines is estimated to have reached approximately 41 per cent. In this respect, Smart is increasing its focus on developing superior content and value-added services to encourage usage from its broad base of subscribers while continuing to drive subscriber growth at the lower income segments.

PLDT Group's capability to deliver rich and varied contents was accelerated by the 3G service license awarded to Smart by the Philippines' National Telecommunications Commission in December 2005. After a rigorous diligence period, Smart was granted a "perfect score" by the Philippine regulators, in its 3G capability. On Valentines' Day 2006, Smart launched its 3G service on a free-trial basis in the Philippines. Subscribers using Smart's network with 3G handsets in selected key areas may have access to services such as video calling, video streaming, high-speed Internet browsing and special 3G content downloading. In addition, the strategic partnership entered into with DoCoMo early this year grants Smart the exclusive right to offer DoCoMo's *i-mode™* service to its subscribers.

Fixed Line: Stable Growth

PLDT's Fixed Line business reported revenues of US\$903.0 million, resulting from a 46 per cent increase in data revenues which more than offset declines in its traditional long distance voice revenues. This is an improvement of 4.5 per cent over its 2004 revenues of US\$864.0 million. Fixed Line EBITDA (excluding contributions from Smart) improved by 11.7 per cent to US\$525.6 million (2004: US\$470.4 million) while the EBITDA margin increased to 58 per cent from last year's 54 per cent. Depreciation expenses increased to US\$367.3 million (2004: US\$180.0 million) reflecting estimated useful lives adjustment made to certain fixed assets during the process of upgrading the system to the Next Generation Network.

Smart GSM Systemwide Subscriber Numbers





The improvement in fixed line performance was attributed to an expanding broadband business. Since First Pacific's investment in 1998, strategic goals for PLDT's fixed line business have included stabilizing its revenues on a year-on-year basis, while building a vibrant technology platform capable of offering new products and services, and incorporating full redundancy. Those goals were manifested in 2005's performance, which saw PLDT's DSL broadband subscriber base grow to approximately 89,000 with another 380,000 subscribers using its high-speed dial-up internet service. PLDT is the largest broadband service provider in the Philippines.

In order to promote higher fixed line take up, management also sought to introduce a number of marketing and pricing schemes designed to increase fixed line usage and provide better value to subscribers. In 2005, PLDT recorded, for the first time in four years, net additions for its postpaid fixed line service of 7,700 lines.

Information and Communications Technology: Expanding Potential

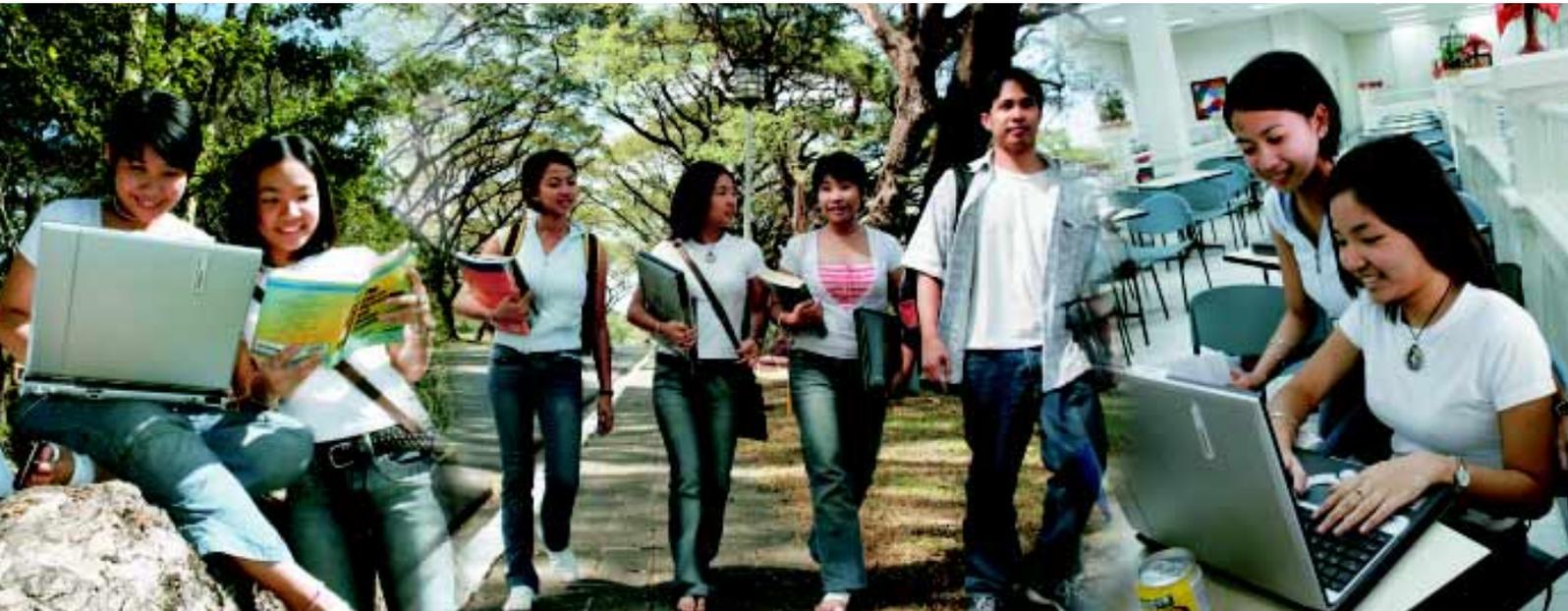
ePLDT, the information and communications technology (ICT) arm of PLDT, is a broad-based integrated ICT operator and service provider. Its principal operations include an Internet data center under the brand name *Vitro™*; call centers through Vocativ, Parlance and Ventus; and internet and gaming operations provided through subsidiaries including Netopia, Infocom, Airborne Access and netGames.

ePLDT reported a 44.7 per cent increase in revenues to US\$53.7 million for 2005, reflecting strong growth in its various business segments. Call centers represent a growth area for the PLDT group, and the industry has grown exponentially in recent years with the Philippines becoming an increasingly attractive site for business process outsourcing. Consolidated call center revenues increased by 52 per cent to US\$35.4 million resulting from higher capacity utilization and higher prices charged for additional service demand. ePLDT is one of the largest outsourced call center operators in the Philippines. Plans are underway to expand the present seat capacity of 3,347 to more than 6,000 by the end of 2006, which will further strengthen its market leadership in the Philippines.

Other revenue units of ePLDT, including its retail Internet café business, *Netopia™* and its hosted data center, *Vitro™*, also experienced substantial business growth. Their combined revenues improved by 27 per cent to US\$18.3 million. Netopia operates the largest Internet café chain in the Philippines, with 181 outlets.

ePLDT expanded its online gaming business netGames by acquiring a 60 per cent interest in Level Up's Philippines subsidiary. The merging of these two businesses is expected to strengthen ePLDT's position as the market leader in the online gaming industry in the country.





2006 Outlook: Enhancement and Evolution

In the seven years since First Pacific acquired its ownership interest in PLDT, the company has reinvested approximately US\$2.7 billion in capital expenditure, the largest among Philippines technology companies. Such investments are key to ensuring that everyone in the Philippines has access to affordable telecommunications products and services.

The PLDT Group continues to upgrade its network which will enable it to offer a growing range of innovative value-added and broadband services with network infrastructure now capable of cheaper and faster transmission of voice, video and data. In particular, the expansion of PLDT Group's fixed and wireless broadband facilities, complemented by its growing base of internet cafes, will allow PLDT Group to offer broadband services in more areas at various speed and price points that are designed to attract a broad base of internet users. ePLDT's recent acquisition of a 60 per cent interest in Level Up Philippines, coupled with its other investments, is also anticipated to provide the Group access to rich and compelling content that will be made available to both fixed line and wireless subscribers. In addition, while 3G services in the country will initially be limited to the high-end market until such time as handset prices come down, PLDT Group is rapidly building out its 3G network in key areas while encouraging subscribers to use the service for high-speed internet browsing, video streaming and video calling.

The investments that PLDT Group is making are expected to further strengthen the group's capability to address the challenging operating environment it continues to face. PLDT management has stated that 2006 is a year to lay the foundation for future growth. While PLDT management expects that 2006 core earnings will be benign, cash flows will remain robust. In this respect, PLDT remains committed to improve shareholder returns and aims to increase its dividend payout to at least 50 per cent of 2006 core earnings and to reduce debts further by US\$300 million.



Indofood

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 9,756 (2004: 8,978) 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. dollar. Accordingly, certain adjustments need to be made to Indofood's reported rupiah results to ensure compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Rupiah billions	2005	2004 (Restated)
Net income under Indonesian GAAP	124	387
Differing accounting treatments ⁽ⁱ⁾		
– Reclassification of non-recurring items	55	–
– Foreign exchange accounting	54	54
– Gain on revaluation of plantations	67	8
– Others	(75)	(74)
Adjusted net income under Hong Kong GAAP	225	375
Foreign exchange and derivative losses ⁽ⁱⁱ⁾	335	208
Indofood's net income as reported by First Pacific	560	583
US\$ millions		
Net income at prevailing average rates for 2005: Rupiah 9,756 and 2004: Rupiah 8,978	57.4	64.9
Contribution to First Pacific Group profit, at an average shareholding of 2005: 51.5% and 2004: 51.5%	29.6	33.4

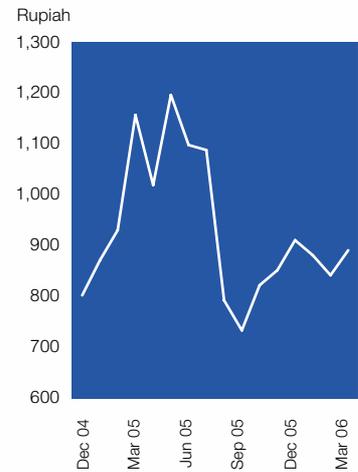
- (i) Differences in accounting treatment under Indonesian GAAP, compared with Hong Kong GAAP. The principal adjustments include:
- Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual, operating items which are reallocated and presented separately. Adjustment for 2005 of Rupiah 55 billion losses (2004: Nil) represents Rupiah 146 billion of manpower rightsizing costs, partly offset by Rupiah 91 billion goodwill compensation received in connection to the establishment of a joint venture entity.
 - 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 has already been written off by First Pacific.
 - Gain on revaluation of plantations: Under Indonesian GAAP, Indofood measures its plantations (biological assets) on historical cost basis. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less estimated point-of-sale costs. The adjustment relates to the change in fair value of plantations during the year.
- (ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses (net of related tax) are excluded and presented separately.



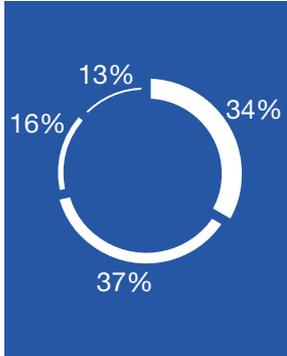
An analysis of Indofood's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

US\$ millions	Turnover			Profit		
	2005	2004	% change	2005	2004 (Restated)	% change
Flour	787.3	814.1	-3.3	48.5	57.5	-15.7
Consumer Branded Products	730.3	765.5	-4.6	65.2	73.9	-11.8
Edible Oils and Fats	474.9	571.3	-16.9	83.5	91.1	-8.3
Distribution	242.8	202.7	+19.8	0.1	2.6	-96.2
Inter-segment elimination	(311.9)	(357.8)	-12.8	-	-	-
Total	1,923.4	1,995.8	-3.6			
Segment result				197.3	225.1	-12.4
Net borrowing costs				(84.8)	(91.1)	-6.9
Share of profits less losses of associates				(4.2)	(1.8)	+133.3
Profit before taxation				108.3	132.2	-18.1
Taxation				(38.5)	(47.8)	-19.5
Profit for the year				69.8	84.4	-17.3
Minority interest				(40.2)	(51.0)	-21.2
Contribution to group profit				29.6	33.4	-11.4

Indofood Share Price Performance



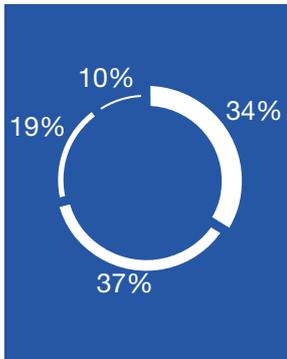
Indofood Turnover 2005*



	US\$ millions
Flour	662.2
Consumer Branded Products	703.8
Edible Oils and Fats	314.6
Distribution	242.8
Total	1,923.4

*After inter-segment elimination

Indofood Turnover 2004*



	US\$ millions
Flour	666.7
Consumer Branded Products	744.5
Edible Oils and Fats	382.6
Distribution	202.0
Total	1,995.8

*After inter-segment elimination

Indofood contributed US\$29.6 million to the Group in 2005, a reduction of 11.4 per cent from its 2004 contribution of US\$33.4 million. The unfavorable macroeconomic climate, weak currency, increased fuel costs and more intense competition in the food sector in Indonesia placed considerable pressure on Indofood's performance. The company recorded a 3.6 per cent decrease in consolidated revenue in U.S. dollar terms to US\$1,923.4 million (2004: US\$1,995.8 million) although in rupiah terms, Indofood recorded a 4.7 per cent growth in revenue, of which approximately 83 per cent were contributed from its three principal business segments – noodles, flour and edible oils and fats.

However, Indofood maintained its leading market share in key product categories: a 74 per cent share of the noodles market; a 65 per cent share of flour; a 42 per cent share of branded cooking oil; a 59 per cent share of the margarine and shortening market, and a 59 per cent share of the nutrition and special food market. Despite its strong market position in most of its business units, the entry of new competitors, particularly to the noodles division, has prompted a process of restructuring and reorganization which is ongoing. This process has been designed to improve efficiency, to identify new growth and to expand Indofood's cross-organizational functionalities and further diversify the company's revenue base.

Bogasari

Indofood's Bogasari group comprises its flour and pasta production businesses. Bogasari can support an annual production capacity of 3.8 million tons of flour and its products are distributed primarily under the *Cakra Kembar*, *Segitiga Biru* and *Lencana Merah* brand names, which are widely recognized by consumers in Indonesia. During 2005, it reported a turnover of US\$787.3 million, an decrease of 3.3 per cent from the 2004 revenue of US\$814.1 million. This resulted from a decline in flour volume although selling price increased by 6.0 per cent. Bogasari's turnover accounted for 34.4 per cent (2004: 33.4 per cent) of Indofood's total sales.



Bogasari recorded a sales volume decline of 3.3 per cent in its flour business to 2.3 million tons in 2005 principally due to lower-priced flour products being imported into Indonesia. During 2005, however, gross margins on flour slightly improved to 15.5 per cent (2004: 15.1 per cent) reflecting increase in selling price, improvements in productivity and cost efficiency. Bogasari has increased its research and development efforts since deregulation in 1999 with the introduction of new products for different end user market segments.

The plan of separately listing Bogasari is on hold as the current equity market environment in Indonesia is not sufficiently favorable to reflect Bogasari's underlying value. Management aims to maintain its market leading position in Indonesia by optimizing Bogasari's supply chain and infrastructure potential. It also plans to extend revenue base and market reach by expanding non-wheat products and services, and overseas distribution.



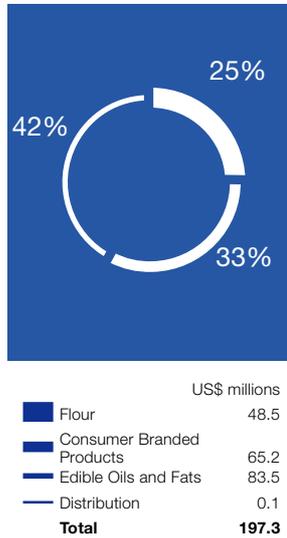
Consumer Branded Products

Noodles is the largest of Indofood's operating divisions, as well as the largest in the instant noodle segment in Indonesia. In addition to the basic noodle production operations, Indofood's noodles business also comprises food ingredients and packaging businesses which offer a supply chain to its instant noodle operations. It offers some 130 noodle varieties to the retail marketplace, covering high-end, middle and lower-priced categories. Indofood's primary noodle product is fried and soup-style instant noodles, and its most popular brands include *Indomie*, *Sarimi* and *Supermi*. Its value-added products including instant noodles in cups, rice vermicelli *Pop Bihun* and instant pasta *Pazto*. With 14 production facilities located across Indonesia, Indofood has an annual production capacity of 13.5 billion packs.

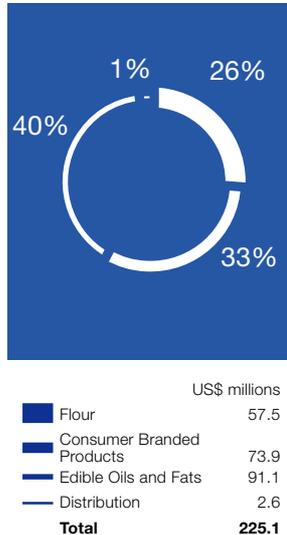
During 2005, sales volumes reached 9.5 billion packs, a decline of 4.0 per cent from the 9.9 billion packs sold in 2004. Sales turnover for the year was US\$633.3 million, a reduction of 4.5 per cent from the US\$663.0 million turnover in 2004, reflecting fierce competition in the lower-priced products market. Consequently, gross margins reduced to 22.9 per cent versus the 26.2 per cent recorded in 2004, as the "buy 5 get 1 free" promotional activities was continued to defend market share. This promotion was discontinued in March 2006.



Indofood Operating Profit 2005



Indofood Operating Profit 2004



Food seasoning products include soy, chili and tomato sauces, a range of powdered condiments and instant recipe mixes. Since 2001, Indofood has introduced more than 80 new products, and provides the widest range of food seasoning products available from any single manufacturer in Indonesia. This segment recorded a turnover of US\$30.4 million in 2005, a decrease of 22.4 per cent compared with US\$39.2 million reported for 2004, due to a combination of lower average selling prices and weaker sales volume.

In April 2005, Indofood started a joint venture with Nestlé S.A. namely, PT Nestlé Indofood Citrarasa Indonesia (NICI) to market culinary products in Indonesia of both Indofood and Nestlé. This provides an opportunity to combine Nestlé's expertise in marketing and research with Indofood's skill in producing food seasonings and distribution. However, the terms of the new joint venture require products to be sold to NICI on a "cost-plus" basis, with a resulting decline in average selling price.

Indofood is the leading manufacturer of branded modern packaged **snack foods** in Indonesia. Its produces potato chips and extruded products such as puffs and chocolate-coated snacks, which are sold under various brand names, such as *Chiki*, *Cheetos*, *Chitato*, *Lays*, *JetZ*, *Tenny* and *Tradia*. In U.S. dollar term, turnover for 2005 fell 4.9 per cent to US\$30.9 million (2004: US\$32.5 million). In rupiah term, turnover increased by 3.1 per cent as this segment experienced better sales mix.

Indofood's **nutrition and special food** products are distinguished from others in the Indonesian baby food market by the use of adapted traditional Indonesian ingredients, such as brown rice and mung beans. Its principal baby food brands are *Promina* and *SUN*. Turnover for 2005 improved by 15.9 per cent to US\$35.7 million (2004: US\$30.8 million) reflecting both increases in sales volume and average selling prices.

Edible Oils and Fats

Indofood's Intiboga Sejahtera is among the largest producers of cooking oil, margarine and shortenings in Indonesia, offering a wide range of branded products – including *Bimoli*, *Sunrise*, *Delima*, *Cornola* – for the retail market, and bulk products in large quantity for the industrial and institutional markets.

This division reported a turnover of US\$474.9 million in 2005, a decrease of 16.9 per cent from US\$571.3 million in 2004, as lower-cost competitors sought to achieve rapid market share at the expense of profit margins. Sales volume reached almost 500 thousand tons, an increase of 3.3 per cent from the 482 thousand tons sold in 2004.

During 2005, Indofood acquired approximately 35,000 hectares of plantation area which will be developed for oil palm trees. A key competitive advantage for Indofood remains its ability to source around 50 per cent of its crude palm oil requirements from its 95,730 hectares of plantation.



Distribution

Indofood's consumer food products are distributed to over 160,000 outlets throughout Indonesia. Despite the competitive challenges faces by Indofood, Distribution reported a 19.8 per cent increase in turnover to US\$242.8 million in 2005 which accounted for 12.6 per cent of Indofood's consolidated turnover.

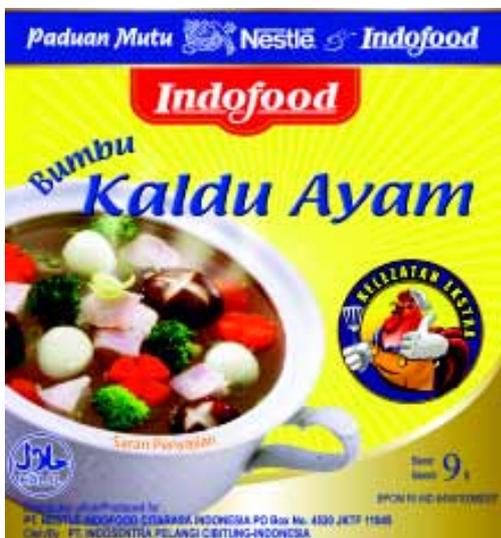
As part of the ongoing internal restructuring and re-engineering process, Indofood management have sought to expand the company's distribution reach by opening up stock points to service various districts in the country. Up to the end of 2005, more than 250 stock points were established in selected population areas which reduced times and volumes required for transport in the respective areas, and enabled the company to better understand consumers' preference in each specific location. During the year, the reorganized Distribution division generated encouraging results. The satellite-linked information technology system and the stock point strategy enable Indofood's products to reach the more underserved market regions. To continue the success of the distribution network reform, Indofood plans to significantly increase stock points in 2006.



2006 Outlook

On 2 March 2006, Indofood obtained a favorable ruling from the UK court to provide it a basis to redeem its Eurobonds at par. Indofood will use funds from operations and bank loans to redeem the outstanding Eurobonds of US\$143.7 million as at 31 March 2006.

Indofood management is cognizant of the pressures new competition has placed on its businesses. The strategic repositioning program implemented since early 2004 has resulted in Indofood becoming a leaner organization with more focus on improving operational activities. The company will continue to streamline its supply and value chains, leverage its existing strong brands to further strengthen its leading market position, and re-engineer company procedures.



Metro Pacific

Metro Pacific's operations are principally denominated in peso, which averaged Pesos 54.99 (2004: 56.12) 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. dollar. Despite both of the Philippine GAAP and Hong Kong GAAP being largely based on IFRSs with effect from 1 January 2005, certain adjustments still need to be made to Metro Pacific's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	2005	2004 (Restated)
Net income/(loss) under Philippine GAAP	194	(242)
Differing accounting treatments ⁽ⁱ⁾		
– Reclassification/reversal of non-recurring items	(623)	(726)
– Others	–	283
Intragroup items	–	3
Adjusted net loss under Hong Kong GAAP	(429)	(682)
Foreign exchange and derivative (gains)/losses ⁽ⁱⁱ⁾	(9)	17
Metro Pacific's net loss as reported by First Pacific	(438)	(665)
US\$ millions		
Net loss at prevailing average rates for 2005: Pesos 54.99 and 2004: Pesos 56.12	(8.0)	(11.8)
Contribution to First Pacific Group profit, at an average shareholding of 2005: 75.5% and 2004: 79.2%	(6.0)	(9.4)

- (i) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP. The principal adjustments include:
- Reclassification/reversal of non-recurring items: Certain items, through occurrence or size, are not considered usual, operating items which are reallocated and presented separately. Adjustment for 2005 of Pesos 0.6 billion principally relate to reversal of excess provision for tax and other liabilities, gains realized from various debt reduction and restructuring exercises, and agreed one-time adjustments made to amounts owed to certain creditors. Adjustment for 2004 of Pesos 0.7 billion relate to the reclassification/reversal of provision releases for Metro Pacific's investment in a shipping subsidiary and gains realized from various debt reduction and restructuring exercises.
- (ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative gains/losses (net of related tax) are excluded and presented separately.



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

US\$ millions	Turnover			Profit		
	2005	2004	% change	2005	2004 (Restated)	% change
Property						
– Landco	17.6	15.1	+16.6	1.3	3.0	-56.7
– Pacific Plaza Towers	5.3	11.6	-54.3	0.3	0.1	+200.0
Subtotal	22.9	26.7	-14.2	1.6	3.1	-48.4
Nenaco	39.8	32.1	+24.0	(3.5)	(2.9)	+20.7
Corporate overhead	–	–	–	(2.1)	(1.1)	+90.9
Total	62.7	58.8	+6.6			
Segment result				(4.0)	(0.9)	+344.4
Net borrowing costs				(2.4)	(9.2)	-73.9
Share of profits less losses of associates				0.1	(0.1)	–
Loss before taxation				(6.3)	(10.2)	-38.2
Taxation				(0.9)	(0.8)	+12.5
Loss for the year				(7.2)	(11.0)	-34.5
Minority interest				1.2	1.6	-25.0
Group share of loss				(6.0)	(9.4)	-36.2





Metro Pacific contributed a loss of US\$6.0 million in 2005, a significant improvement from its 2004 loss contribution of US\$9.4 million. This improvement is principally due to the significant reduction in operating losses of **Negros Navigation Co., Inc.** (Nenaco), the substantial reduction of financing charges as debt settlement agreements were completed and one-time gains also realized from debt reduction agreements.

Five years after Metro Pacific entered a self-administered debt reduction and corporate rehabilitation program, Metro Pacific has successfully reduced its parent company bank debt from Pesos 11.7 billion (US\$220.4 million) to Pesos 732 million (US\$13.8 million). As of early 2006, various agreements in final stages of documentation would further reduce Metro Pacific's debt level to approximately Pesos 200 million (US\$3.8 million).

Landco Pacific Corporation (Landco), a diversified property developer 51 per cent owned by Metro Pacific, reported a net profit of Pesos 62 million (US\$1.1 million). Landco is preparing for an accelerated growth plan that seeks to expand its business activity significantly over the next five years. In 2005, joint-venture agreements were signed with a number of landowning groups for Landco to develop, brand, and market over 1,300 hectares of property located in prime areas across the Philippines.



Nenaco, a 99.0 per cent owned subsidiary of Metro Pacific, also recorded improved performance. After the commencement of a court-administered debt and business restructuring program in 2004, Nenaco reported an reduced 2005 net loss of Pesos 126 million (US\$2.3 million). An aggressive campaign by new management to reduce costs and enhance operations resulted in vessels servicing additional routes, thus carrying improved passenger and cargo loads.





2006 Outlook

On 27 March 2006, Metro Pacific announced a recapitalization and reorganization plan to strengthen its capital base and reposition the company for new growth. The plan involves a reduction in capital by way of a reverse stock split of Metro Pacific shares to eliminate the deficit in Retained Earnings, a share swap of Metro Pacific shares for shares in a new corporate holding company, Metro Pacific Investments Corporation (MPIC), the listing of MPIC on the Philippine Stock Exchange and the simultaneous withdrawal of the Metro Pacific listing, and a Rights Issue expected to raise Pesos 2.7 billion (US\$50.9 million) in new capital. The plan is expected to be completed by September 2006.

Should the plan be executed successfully, First Pacific and Ashmore Global Special Situations Funds 2 Limited and/or other funds managed by Ashmore Investment Management Limited would be MPIC's principal shareholders. MPIC will directly own a majority of Landco and Metro Pacific. MPIC will also be debt free, and capable of raising necessary funds to support its intended growth plans. Landco will be able to accelerate the diversification of its market reach and expansion in the property sector in the Philippines. MPIC will also actively seek investment opportunities, particularly in the infrastructure sector.



Level Up



First Pacific invested US\$15 million for a 25.0 per cent interest in Level Up! International Holdings Pte. Ltd. (Level Up) in March 2005. First Pacific recorded a loss of US\$1.5 million for its share of Level Up's post-acquisition loss, arising principally from the start up costs in its Brazilian and Indian operations. Level Up began commercial operations in Brazil in the first quarter of 2005 and will launch commercially in India in 2006.

In the Philippines, Level Up has achieved a market share of approximately 80 per cent of paying subscribers, despite the entry of several competitors. The company began commercial operations in late 2003 with Ragnarok (developed by Gravity Co. Ltd.) which remains the most popular game and continues to dominate the online game market. In 2005, Level Up decided to build on its extensive client base by launching new games for different segments of the market. The first new game, Rose Online, was commercially launched in September 2005. This is a 3-D massively multiplayer online role playing game (MMORPG) from Gravity. In the first quarter of 2006, the company launched another 3-D MMORPG, RF Online, developed by CCR Inc.; and plans to launch a leading Korean sports casual game, Free Style Online (developed by JCE Entertainment Co. Ltd.) in the second quarter of 2006. Other new games are also in the pipeline for 2006.

In February 2006, ePLDT, Inc., the Information and Communications Technology division of PLDT, acquired 60 per cent interest in Level Up's operation in the Philippines and plans to merge it with its online games operation netGames by the first quarter of 2007.

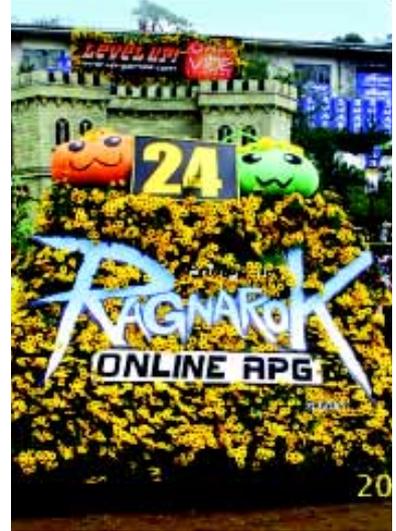


In Brazil, Ragnarok was commercially launched in February 2005 and is developing a good subscriber base. The company is planning to introduce new games such as Gunz (developed by Maiet Entertainment Inc.) and Grand Chase (developed by KOG Studios) to attract players from other significant segments. The company will also be distributing game CDs and CD keys for leading games by NCSOFT, such as Lineage II, Guild Wars, City of Heroes and City of Villains.

In India, the company will start commercial operations of Ragnarok in the second quarter of 2006, although gradual growth is expected until the internet infrastructure and connectivity reach required levels over the next several years. The company continues to build its distribution networks in several key metropolitan areas and to establish alliances with key marketing and distribution partners.

2006 Outlook

The year 2006 will be a transition year for Level Up, as it begins to develop into a multi-game publisher with a diversified portfolio of games and multiple revenue sources. The company will focus on building upon its leadership position in three markets to leverage its multi-country economies of scale and strengthen relationships with leading game developers and publishers to ensure continuing access to good content. Significant investments will be made to consolidate its leadership position and bring compelling new content to its growing customer base.



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38	Adjusted NAV Per Share

Liquidity and Financial Resources

Net Debt and Gearing

(A) Head Office Net Debt

The increase in net debt is mainly attributable to the payments for additional investments of 1.1 per cent interest in PLDT (US\$53.7 million) and the acquisition of a 25.0 per cent interest in Level Up. The Head Office's borrowings at 31 December 2005 comprise Exchangeable Notes of US\$193.1 million (with a face value of US\$199.0 million) due in January 2010, secured bonds of US\$107.3 million (with a face value of US\$108.0 million) due in July 2006 and a bank loan of US\$49.3 million (with a face value of US\$50.0 million) due in November 2012.

Changes in Head Office Net Debt

US\$ millions	Borrowings	Cash and cash equivalents	Net debt
At 1 January 2005	144.6	(41.3)	103.3
Movement	205.1	(155.8)	49.3
At 31 December 2005	349.7	(197.1)	152.6

Head Office Cash Flow

US\$ millions	2005	2004
Net cash inflow/(outflow) from operating activities	27.6	(8.7)
Net tax paid	–	(11.1)
Investments	(72.9)	(5.0)
Net proceeds on disposal	–	18.6
Financing activities		
– Issue of Exchangeable Notes, net of expenses	193.4	–
– Net borrowings/(repayments)	17.4	(23.0)
– Repurchase of secured bonds	(5.1)	–
– Dividend paid	(4.1)	–
– Others	(0.5)	–
Increase/(decrease) in Cash and cash equivalents	155.8	(29.2)

(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⁾ 2005	Total equity 2005	Gearing (times) 2005	Net debt ⁽ⁱ⁾ 2004	Total equity 2004 (Restated)	Gearing (times) 2004 (Restated)
Head Office	152.6	1,419.2	0.11x	103.3	1,066.7	0.10x
Indofood	595.7	541.6	1.10x	705.3	589.4	1.20x
Metro Pacific	40.2	4.8	8.38x	45.7	(13.8)	–
Group adjustments ⁽ⁱⁱ⁾	–	(1,258.9)	–	–	(1,051.2)	–
Total	788.5	706.7	1.12x	854.3	591.1	1.45x

Associated

US\$ millions	Net debt 2005	Total equity 2005	Gearing (times) 2005	Net debt 2004	Total equity 2004 (Restated)	Gearing (times) 2004 (Restated)
PLDT	1,384.2	1,400.9	0.99x	2,169.4	840.7	2.58x

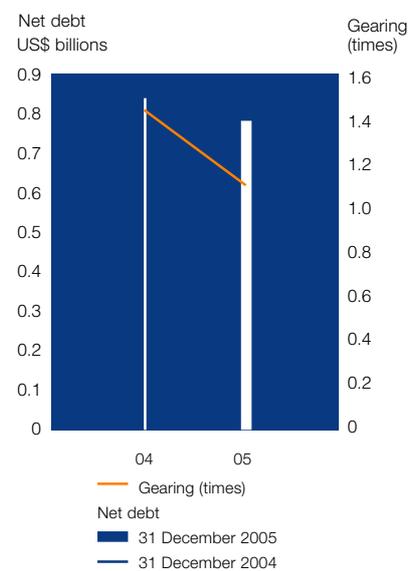
(i) Includes restricted cash.

(ii) Group adjustments mainly represents elimination of goodwill arising from acquisitions prior to 1 January 2001 against the Group's accumulated losses and other standard consolidation adjustments to present the Group as a single economic entity.

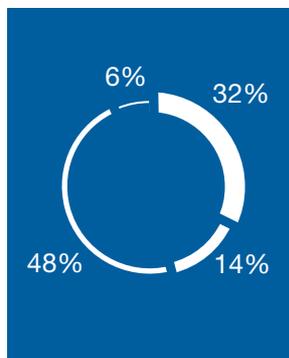
Head Office's gearing increased principally because of additional investment for 1.1 per cent interest in PLDT (US\$53.7 million) and acquisition of a 25.0 per cent interest in Level Up (US\$15.0 million). Indofood and Metro Pacific gearing declined mainly because of debt reduction efforts. PLDT's gearing declined substantially as strong free cash flows were used to reduce debts and profits enhanced total equity.

The Group's gearing continued to improve to 1.12x level as a result of debt management and reduction efforts of the operating companies coupled with the growth of Group's total equity as a result of strong profit contribution from PLDT.

Net Debt and Gearing

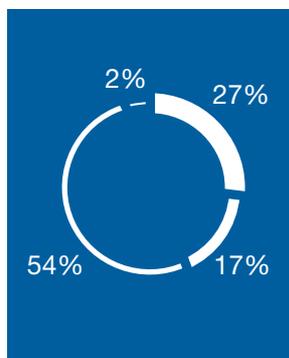


Maturity Profile of Consolidated Debt 2005



	US\$ millions
Within one year	345.0
One to two years	152.3
Two to five years	518.6
Over five years	73.3
Total	1,089.2

Maturity Profile of Consolidated Debt 2004



	US\$ millions
Within one year	288.9
One to two years	182.8
Two to five years	561.3
Over five years	17.1
Total	1,050.1

Maturity Profile

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

Consolidated

US\$ millions	2005	2004
Within one year	345.0	288.9
One to two years	152.3	182.8
Two to five years	518.6	561.3
Over five years	73.3	17.1
Total	1,089.2	1,050.1

The change in the Group's debt maturity profile at 31 December 2005 principally reflects Head Office's issuance of US\$199.0 million Exchangeable Notes due in 2010, the reclassification of US\$108.0 million bonds due in 2006 and a new bank loan of US\$50.0 million due in 2012, together with the settlements of principally Head Office's US\$32.0 million bank loan due in 2006 and Indofood's repurchases of Eurobonds due in 2007 and redemption of Rupiah bonds due in 2005 totalling US\$228.0 million.

Associated

US\$ millions	PLDT 2005	2004
Within one year	354.2	500.4
One to two years	376.8	460.7
Two to five years	455.4	894.0
Over five years	930.5	987.0
Total	2,116.9	2,842.1

PLDT's debt maturity profile were stated at nominal values.

Financial Risk Management

Foreign Currency Risk

(A) Company Risk

As the Head Office debt is 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. However, the Company does not actively seek to hedge risks arising on the translation of foreign currency denominated investments due to the non-cash nature of such investments and the high costs associated with such hedging. Accordingly, First Pacific 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 Company's NAV relate to investments denominated in the peso and rupiah. Accordingly, any change in these currencies, against their respective 31 December 2005 exchange rates, would have an effect on the Company'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 against the U.S. dollar.

Company	Effect on adjusted NAV ⁽ⁱ⁾ US\$ millions	Effect on adjusted NAV per share HK cents
PLDT	14.9	3.65
Indofood	4.1	1.00
Total	19.0	4.65

- (i) Based on quoted share prices as at 31 December 2005 applied to the Group's economic interest.
(ii) The NAV of the Group's investment in Level Up is based on its historic U.S. dollar cost and, accordingly, any depreciation of the peso, rupee and reals would not affect the Group's adjusted NAV.

(B) Group Risk

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

Net Debt by Currency

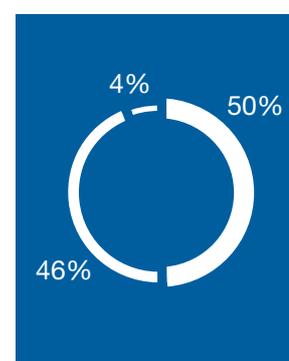
It is often necessary for operating entities to borrow in U.S. dollars, which results in the risk of a translation impact on local currency results. A summary of consolidated and associated companies' net debt by currency follows.

Consolidated					
US\$ millions	US\$	Peso	Rupiah	Others	Total
Total borrowings	501.7	44.7	542.8	–	1,089.2
Cash and cash equivalents ⁽ⁱ⁾	(190.3)	(6.1)	(98.8)	(5.5)	(300.7)
Net debt/(cash)	311.4	38.6	444.0	(5.5)	788.5
Representing:					
Head Office	159.4	(1.3)	–	(5.5)	152.6
Indofood	151.7	–	444.0	–	595.7
Metro Pacific	0.3	39.9	–	–	40.2
Net debt/(cash)	311.4	38.6	444.0	(5.5)	788.5
Associated					
US\$ millions	US\$	Peso	Yen	Others	Total
PLDT	1,598.6	(282.5)	72.4	(4.3)	1,384.2

- (i) Includes restricted cash.

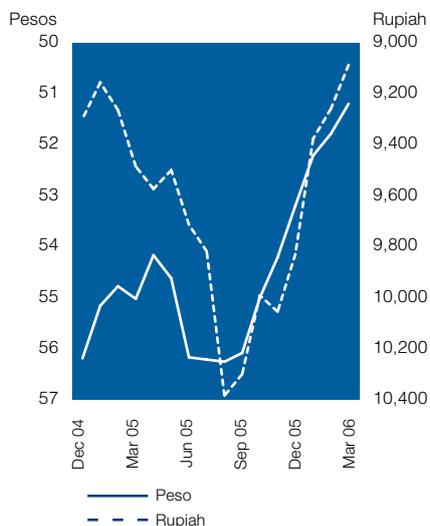
Details of changes in Head Office net debt are set out on page 32.

Analysis of Total Borrowings by Currency

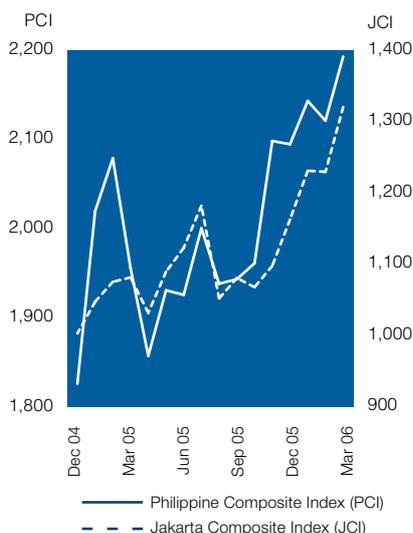


	US\$ millions
Rupiah	542.8
US\$	501.7
Peso	44.7
Total	1,089.2

Peso and Rupiah Closing Rates against the U.S. Dollars



Stock Market Indices



PLDT carries U.S. dollar debt 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 59.1 per cent 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\$185.5 million or 8.4 per cent of PLDT's total revenues in 2005. In addition, under certain circumstances, PLDT is able to adjust the monthly recurring rates for its fixed line service by one per cent for every Peso 0.1 change in the U.S. dollar exchange rate.

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 U.S. dollar 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
PLDT	1,598.6	944.3	654.3	6.5	1.0
Indofood	151.7	–	151.7	1.5	0.5
Metro Pacific	0.3	–	0.3	–	–
Head Office ⁽ⁱ⁾	159.4	–	159.4	–	–
Total	1,910.0	944.3	965.7	8.0	1.5

(i) As the Group reports its results in U.S. dollars, unhedged U.S. dollar 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 value 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 and Indonesia. 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 and Indonesia is summarized as follows.

	Philippine Composite Index	Jakarta Composite Index
At 31 December 2004	1,822.8	1,000.2
At 31 December 2005	2,096.0	1,162.6
Increase during 2005	15.0%	16.2%
At 31 March 2006	2,196.0	1,323.0
Increase over 2006 to 31 March 2006	4.8%	13.8%

In January 2005, a wholly owned Head Office subsidiary issued the zero coupon 5-year US\$199 million Exchangeable Notes guaranteed by the Company. The holders of the Exchangeable Notes have the right to exchange the Exchangeable Notes to the underlying approximately 3.8% interest in PLDT and the Company has the option to settle such exchange obligation in cash or shares in PLDT. Pursuant to the new accounting standard HKAS 39, the exchange option embedded in Exchangeable Notes is subject to mark-to-market fair value accounting which tracks to PLDT share price performance and generated a non-cash accounting loss of US\$25.4 million in 2005. The increase of such option liability is economically hedged by a corresponding increase in the value of PLDT shares held by the Group generally and specifically the approximately 3.8% PLDT shares underlying the Exchangeable Notes. Such a natural hedge and the corresponding increase in value of the Group's shareholding in PLDT, however, is not to be reflected in the Group's Financial Statements under HKAS 28 as the Group's investments in and results of PLDT are equity accounted for.

As announced on 18 January 2006, the Group purchased an additional 1.3% in PLDT for US\$74.1 million and will continue to acquire shares in PLDT to both economically hedge against the changes in option liability and to secure its strategic shareholding in PLDT.

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	300.4	49.3	(197.1)	152.6
Indofood	373.8	320.7	(98.8)	595.7
Metro Pacific	29.2	15.8	(4.8)	40.2
Total	703.4	385.8	(300.7)	788.5

Associated

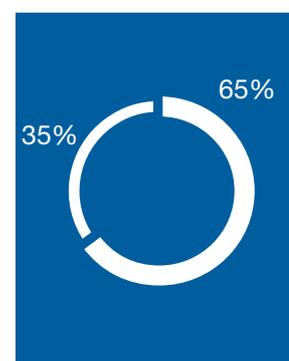
US\$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents	Net debt
PLDT	1,400.2	550.3	(566.3)	1,384.2

(i) Includes 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.

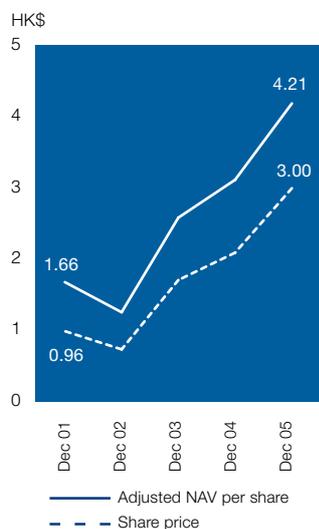
US\$ millions	Variable interest rate borrowings	Profit effect of 1% change in interest rates	Group net profit effect
Head Office	49.3	0.5	0.5
Indofood	320.7	3.2	1.2
Metro Pacific	15.8	0.2	0.1
PLDT	550.3	5.5	0.9
Total	936.1	9.4	2.7

Interest Rate Profile



	US\$ millions
Fixed	703.4
Floating	385.8
Total	1,089.2

Share Price vs Adjusted NAV Per Share



Adjusted NAV Per Share

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

At 31 December		2005	2004
US\$ millions	Basis		
PLDT	(i)	1,491.5	999.0
Indofood	(i)	407.0	378.6
Level Up	(ii)	15.0	–
Head Office – Net debt		(152.6)	(103.3)
– Derivative liability	(iii)	(39.3)	–
Total valuation	(iv)	1,721.6	1,274.3
Number of ordinary shares in issue (millions)		3,188.8	3,186.0
Value per share			
– U.S. dollar		0.54	0.40
– HK dollars		4.21	3.12
Company's closing share price (HK\$)		3.00	2.08
Share price discount to HK\$ value per share (%)		28.7	33.3

(i) Based on quoted share prices applied to the Group's economic interest.

(ii) Based on investment cost.

(iii) Represents the fair value of option element embedded in the Exchangeable Notes.

(iv) No value has been attributed to the Group's investment in Metro Pacific or Mobile-8.

Corporate Governance Report

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Governance Framework

First Pacific is committed to building and maintaining high standards of corporate governance practices. First Pacific has adopted its own Code on Corporate Governance Practices (the “First Pacific Code”), which incorporates the principles and requirements set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Listing Rules.

First Pacific has applied these principles and complied with all the CG Code mandatory provisions and has also met all of the recommended best practices in the CG Code throughout the accounting period covered by the annual report, except for the following:-

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

First Pacific board considers that it functions effectively with the current 12-member board and will consider the appointment of additional INED as and when it is considered necessary. In addition, the Company does not issue quarterly financial results based on our judgment that we should emphasize the quality, rather than the frequency of disclosure of the financial information. Furthermore, we are concerned that quarterly reporting might lead investors and management to focus on short-term financial performance, possibly at the expense of longer term financial performance of the Company. The disclosure of details of remuneration payable to members of senior management on an individual and named basis would not provide, in our view, any pertinent information to the readers in assessing the performance of the Company.

Board of Directors

The Company is led and controlled through the Board of Directors which comprises 12 Directors and they are collectively responsible for promoting the success of the Company by directing and supervising the Company’s affair. The Board of Directors has a balance of skill and experience appropriate for the requirements of the Group’s businesses. At 31 December 2005, three of the Directors are Executive and nine of the Directors are Non-executive, of whom three are Independent. The Company has received annual confirmations of independence from Graham L. Pickles, Prof. Edward K. Y. Chen and David W. C. Tang and considers them to be independent. Non-executive Directors have the same duties of care and skill and fiduciary duties as Executive Directors. The biographies of the Directors, and of the senior executives, are set out on pages 6 to 11.

The Board of Directors 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 of Directors 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 will be given. 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 meeting in a timely manner. Minutes of the Board, the Audit Committee, the Remuneration Committee, the Nomination 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 recorded in sufficient details the matters considered by the Board and the Committees, decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board 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/their duties to the Company as and when requested or necessary.

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 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. Independent Non-executive Directors who, and whose associates, have no material interest in the transaction shall be present at such Board meeting.

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Currently, Mr. Anthoni Salim is the chairman of the Company and Mr. Manuel V. Pangilinan is the 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.

At the Company's 2005 Annual General Meeting, approval was obtained from shareholders for, inter alia, the re-election of all directors, including the non-executive directors, for a fixed term of not more than three years, commencing on the date of his re-election (being 9 June 2005) and ending on (1) the date of the Company's AGM to be held in 2008, or (2) on 8 June 2008, or (3) the date on which such non-executive Director retires by rotation pursuant to the FP Code and/or the Bye-laws, whichever is the earlier.

In accordance with the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not greater than one-third) shall retire from office by rotation. A retiring Director shall be eligible for election.

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 of Directors plays a key role in the implementation and monitoring of internal financial controls. Their responsibilities include:

- Regular board meetings focusing 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.
- Monitoring risks and the effectiveness of internal controls.

During 2005, there were four board meetings and those Directors who attended are set out below.

	Number of meetings attended
Chairman	
Anthoni Salim	3/4
Executive Directors	
Manuel V. Pangilinan (<i>Managing Director and Chief Executive Officer</i>)	4/4
Edward A. Tortorici	4/4
Robert C. Nicholson	4/4
Non-executive Directors	
His Excellency Albert F. del Rosario	3/4
Benny S. Santoso	4/4
Sutanto Djuhar	0/4
Tedy Djuhar	4/4
Ibrahim Risjad	0/4
Independent Non-executive Directors	
Graham L. Pickles	4/4
Professor Edward K.Y. Chen (<i>GBS, CBE, JP</i>)	4/4
David W. C. Tang (<i>OBE, Chevalier de L'Ordre des Arts et des Lettres</i>)	2/4

Audit Committee

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

The Audit Committee's written terms of reference, which describe its authority and duties, are regularly reviewed and updated by the Board of Directors. Reporting to the Board of Directors, 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 2005, there were four Audit Committee meetings and those Audit Committee members who attended are set out below.

	Number of meetings attended
Graham L. Pickles	4/4
Professor Edward K. Y. Chen (<i>GBS, CBE, JP</i>)	4/4
David W. C. Tang (<i>OBE, Chevalier de L'Ordre des Arts et des Lettres</i>)	2/4

Remuneration Committee

The Remuneration Committee, which comprises Mr. Pangilinan (who also acts as the chairman of it), Prof. Edward Chen and Mr. David Tang, has specific written terms of reference which deal clearly with its authority and duties. The Terms of Reference of the Remuneration Committee have included the specific duties set out in Code Provisions B.1.3 (a) to (f) of the CG Code, with appropriate modifications where necessary.

The Remuneration Committee makes recommendations to the Board of Directors 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. No meeting was held during the 2005 financial year.

Nomination Committee

The Nomination Committee, which comprises Mr. Anthoni Salim (who also acts as the chairman of it), Ambassador Albert del Rosario, Prof. Edward Chen, Mr. David Tang and Mr. Graham L. Pickles, has specific written terms of reference which deal clearly with its authority and duties. The Terms of Reference of the Nomination Committee have included the specific duties set out in paragraphs A.4.5 (a) to (d) of the CG Code, with appropriate modifications where necessary.

The committee performs the following duties:

- reviews the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors on a regular basis and makes recommendations to the Board of Directors regarding any proposed changes;
- establishes recruitment, selection and nomination strategies to attract the right individuals to become Executive or Non-executive Directors; and
- makes recommendations to the Board of Directors on relevant matters relating to the appointment or re-appointment of Directors and succession of planning for Directors.

The selection of individuals to become Executive or Non-executive Directors are based on assessment of their professional qualifications and experience. No meeting was held during the 2005 financial year.

Independent Board Committee

Where there are matters involving connected or continuing connected transactions, so far as required under the Listing Rules, an Independent Board Committee, comprising wholly the Independent Non-executive Directors, will be established with specific written terms of reference which deal clearly with the Independent Board Committee's authority and duties and independent financial advisers will be appointed to provide advices to the Independent Board Committee. When appropriate, the Independent Board Committee will then advise shareholders on how to vote after considering advices (if any) from independent financial advisers.

Director's Service Contract

Mr. Edward A. Tortorici has a service contract with the Company expiring on 31 December 2007. Apart from that, no other 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, all of the Directors have complied with the Company's code of conduct regarding directors' securities transactions, prepared and adopted on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules.

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 of Directors on a timely and regular basis.

Directors' Responsibility for the Financial Statements

The 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.

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.

At the 2005 AGM and SGM, the Chairman demanded a poll on all resolutions. The procedures for demanding a poll by the shareholders were incorporated in the respective circulars 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.

Remuneration Policy

Details of Directors' remuneration for the year are set out in Note 36(A) to the 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 and/or share options 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 a defined contribution scheme, 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 36D(a) to the 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 Directors acknowledges that its role is to represent and promote the interests of shareholders 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.

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 Special General Meetings 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 2005 AGM, a separate resolution was proposed by the Chairman in respect of each separate issue, including the re-election of Directors.

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

Connected and Continuing Connected Transactions

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

In respect of the financial year ended 31 December 2005, the Company identified that Indofood and its subsidiaries are party to the same four series of continuing connected transactions (the "Transactions") with different respective estimated aggregate values. Based on the estimated maximum aggregate values of each Transaction and applying the percentage ratios (other than the profits ratio) as required by the Listing Rules, the Company has determined that the Transactions referred to above are required to be disclosed to the SEHK and the Company's shareholders in accordance with the requirements of Chapter 14A of the Listing Rules. The Company published paid announcements dated 13 September 2005 and 18 January 2006 disclosing further information of those Transactions.

The Directors (including the Independent Non-executive Directors) considered that the terms of each of the Transactions for the financial year ended 31 December 2005 are fair and reasonable and that they are in the best interests of the Company, Indofood and their respective shareholders.

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

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

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		Transaction amount for the year ended 31 December 2005 (US\$ millions)
			From	To	
PT Indofood Sukses Makmur Tbk (ISM) - Food Ingredients Division (ISM - FID)	De United Food Industries Ltd. (DUFIL), an associate of the Salim Family	Sales and supply of noodle seasonings from ISM - FID to DUFIL	1 April 2005	31 March 2008	8.2
PT Ciptakemas Abadi (CKA)	DUFIL, an associate of the Salim Family	Sales and supply of packaging materials from CKA to DUFIL for the production of instant noodles	Agreement executed on 1 April 2005, Addendum executed on 3 October 2005	2 October 2008	3.3
ISM	DUFIL, an associate of the Salim Family	Trademark licensing for the non-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	Agreement executed on 1 November 2002 and became effective on 30 November 2002	29 November 2006	1.6
ISM – FID	Pinehill Arabian Food Ltd. (Pinehill), an associate of the Salim Family	Sales and supply of noodle seasonings from ISM – FID to Pinehill	1 April 2005	31 March 2008	8.1
CKA	Pinehill, an associate of the Salim Family	Sales and supply of packaging materials from CKA to Pinehill for the production of instant noodles	1 April 2005	31 March 2008	2.2
ISM	Pinehill, an associate of the Salim Family	Trademark licensing for the exclusive use by Pinehill of the "Indomie" and "Supermi" trademarks owned by ISM in the Saudi Arabian and Middle East markets	1 February 1995	31 December 2005, automatically renewed for 5 years from 1 January 2006	0.5
PIPS	Pinehill, an associate of the Salim Family	Technical services agreement whereby PIPS provides technical assistance to Pinehill in connection with the latter's instant noodle manufacturing operations in Saudi Arabia and the Middle East	1 February 1995 (as amended on 25 August 2005)	31 December 2005, automatically renewed for 5 years from 1 January 2006	1.0
Aggregate transaction amount					24.9

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

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		Transaction amount for the year ended 31 December 2005 (US\$ millions)
			From	To	
CKA	PT Prima Aneka Berjaya (PAB), an associate of the Salim Family	Sales and supply of flexible packaging materials from CKA to PAB for the manufacture of biscuit products	1 April 2005	31 March 2006 (terminated on 31 August 2005)	0.2
ISM - Bogasari Flour Mills Division (ISM Bogasari)	PAB, an associate of the Salim Family	Sales and supply of flour from ISM Bogasari to PAB for the production of biscuit products	1 April 2005	1 April 2006 (terminated on 31 August 2005)	0.3
PT Intiboga Sejahtera (IBS)	PAB, an associate of the Salim Family	Sales and supply of margarine and shortenings from IBS to PAB for the manufacture of biscuit products	1 April 2005	31 March 2006 (terminated on 31 August 2005)	0.1
PT Salim Ivomas Pratama and its subsidiary companies (SIMP)	PAB, an associate of the Salim Family	Sales and supply of cooking oil from SIMP to PAB for the manufacture of biscuit products	1 April 2005	31 March 2006 (terminated on 31 August 2005)	0.0
PT Gizindo Prima Nusantara (GPN)	PAB, an associate of the Salim Family	Production of baby biscuits by PAB under the GPN brand name for the distribution to trade outlets in Indonesia	1 January 2005	31 December 2005 (terminated on 31 August 2005)	0.2
PT ISM Food Ingredients Division (FID)	PAB, an associate of the Salim Family	Supply of powder and ingredients from FID to PAB for the manufacture of biscuits	1 January 2005	31 December 2005 (terminated on 31 August 2005)	0.0
PT Inti Abadi Kemasindo (IAK)	PT Tarumatex ("Tarumatex"), an associate of the Salim Family	Sales and supply of grey fabric from Tarumatex to IAK for the production of calico bags	1 April 2005	31 July 2005	0.7
ISM Bogasari – Surabaya	Tarumatex, an associate of the Salim Family	Sales and supply of calico bags from Tarumatex to ISM Bogasari. The calico bags are used for storing the flour produced by Bogasari	1 April 2005	31 July 2005	0.7
Aggregate transaction amount					2.2

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

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		Transaction amount for the year ended 31 December 2005 (US\$ millions)
			From	To	
PT Indomarco Adi Prima (IAP)	PAB, an associate of the Salim Family	Distribution of PAB's biscuit products by IAP	1 April 2005	31 March 2007 (terminated on 8 September 2005)	3.1
IAP	PT Lion Superindo ("LS"), an associate of the Salim Family	IAP distributes various consumer products to LS	1 April 2005	1 April 2006, automatically renewed for 1 year from 2 April 2006	4.6
IAP	PT Buana Distrindo ("BD"), an associate of the Salim Family	As a sub-distributor of BD, IAP purchases Pepsicola and tea beverage products for sale in trade outlets in Indonesia	1 January 2005	1 December 2005, automatically renewed for 1 year from 1 January 2006	3.8
Aggregate transaction amount					11.5

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D. Transactions relating to the Continuing Financing Arrangements

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		Transaction amount for the year ended 31 December 2005 (US\$ millions)
			From	To	
ISM	PAB, an associate of the Salim Family	Financing to PAB	30 December	30 December	—*
		– Short-term (1 year)	2004	2005	
		– Long-term (2 years)	30 December	30 December	—*
			2004	2006	
Aggregate transaction amount					—

* All outstanding balances have been fully settled.

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

In respect of the financial year ended 31 December 2005, the Independent Non-executive Directors 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 except for the Continuing Financing Arrangement referred to in D above (all outstanding balances have been fully settled in 2005);
- either on normal commercial terms or, in those instances where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Indofood 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 the limited number of exceptions set out below, as referred to in the letter from Ernst & Young referred to below; and
- on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young has provided a letter to the Board (with a copy to HKSE) confirming that, subject to a limited number of exceptions which have been drawn to the attention of the Board, the continuing connected transactions have been carried out in the manner stated in Rule 14A.38 of the Listing Rules. The limited exceptions contained in Ernst & Young's letter include (i) certain connected party's late settlement of invoices; (ii) Indofood divisions or units' late delivery of goods; (iii) failure of IAP to provide a bank guarantee under certain distribution agreements; and (iv) late payment of interest on loans advanced to PAB by Indofood in respect of the Continuing Financing Arrangements.

Risk Management and Internal Control

The Board is responsible for maintaining an adequate system of internal controls in the Company and reviewing its effectiveness through the Audit Committee. Management is primarily responsible for the design, implementation, and maintenance of internal controls as well as the review of the relevant financial, operational and compliance controls and risk management procedures, while the Board of Directors and its audit committee oversees the actions of Management and monitor the effectiveness of the systems of internal controls.

Statutory Reports, Financial Statements and Notes

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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 Financial Statements) for the year ended 31 December 2005.

Principal Business Activities and Geographical Markets Analysis of Operations

First Pacific Company Limited is a Hong Kong-based investment and management company with operations located in Southeast Asia. Its principal business interests relate to telecommunications, consumer food products, property and transportation. There were no significant changes in the nature of the Group's principal business activities during the year.

An analysis of the Group's turnover and segmental information for the year, by principal business activity and principal geographical market, is set out in Note 4 to the 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

There were no movements in the Company's authorized share capital during the year. Details of movements in the Company's share capital, share options issued by the Group during the year, together with the reasons therefor, are set out in Notes 29 and 36(D) to the Financial Statements.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the Financial Statements on pages 59 to 61.

Purchase, Sale or Redemption of Listed Securities of the Company

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 results of the Group for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out in the Financial Statements on pages 55 to 116.

An interim dividend of U.S. 0.13 cent (2004: Nil) per ordinary share, totaling US\$4.1 million (2004: Nil), was paid on 24 October 2005. The Directors recommend the payment of a final dividend of U.S. 0.26 cent (2004: Nil) per ordinary share, totaling US\$8.2 million (2004: Nil).

Charitable Contributions

The Group made charitable contributions totaling US\$3.4 million in 2005 (2004: US\$2.0 million).

Property and Equipment

Details of movements in the Group's property and equipment during the year are provided in Note 12 to the Financial Statements.

Borrowings

Particulars of the borrowings of the Group are provided in Note 26 to the Financial Statements.

Distributable Reserves

At 31 December 2005, 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\$418.9 million (2004 restated: US\$72.2 million). The Company's share premium account, in the amount of US\$959.1 million (2004: US\$958.2 million), may be distributed in the form of fully-paid bonus shares.

Pre-emptive Rights

There are 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 2005 are set out on pages 6 to 9. Details of a Director's service contract are provided in the Corporate Governance Report on page 42, and the remuneration policy and other details are provided in the Corporate Governance Report on page 43 and Note 36(A) to the Financial Statements, respectively.

Interests of Directors in the Company and its Associated Corporations

At 31 December 2005, the following Directors were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and SEHK:

(A) Long positions in shares in the Company

Name		Ordinary shares	Approximate percentage of issued share capital (%)	Ordinary shares options
Sutanto Djuhar	30.0 per cent interest			
Tedy Djuhar	10.0 per cent interest			
Ibrahim Risjad	10.0 per cent interest			
Anthoni Salim	10.0 per cent interest all via			
	First Pacific Investments Limited ⁽ⁱ⁾	790,229,364 ^(C)	24.78	–
Anthoni Salim	33.3 per cent interest via			
	First Pacific Investments (BVI) Limited ⁽ⁱⁱ⁾	628,296,599 ^(C)	19.70	–
Manuel V. Pangilinan		6,026,759 ^(P)	0.19	31,800,000
Edward A. Tortorici		13,132,129 ^(P)	0.41	31,800,000
Robert C. Nicholson		–	–	24,500,000
His Excellency Albert F. del Rosario		–	–	2,840,000
Benny S. Santoso		–	–	2,840,000
Graham L. Pickles		–	–	2,840,000
Edward K.Y. Chen (GBS, CBE, JP)		–	–	2,840,000

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

(i) Soedono Salim, the former Chairman of the Company, and Sudwikatmono, a former Non-executive Director of the Company, respectively own 30.0 per cent and 10.0 per cent interests in First Pacific Investments Limited.

(ii) Soedono Salim, the former Chairman of the Company, owns a 33.3 per cent interest in First Pacific Investments (BVI) Limited.

(B) Long positions in shares in associated corporations

- Manuel V. Pangilinan owned 15,048,064 common shares^(P) in Metro Pacific, 190,812 common shares^(P) in PLDT and 360 preferred shares^(P) in PLDT as beneficial owner and a further 15,417 common shares in PLDT as nominee for another person, as well as 3,500,000 common shares^(P) in Pilipino Telephone Corporation.
- Edward A. Tortorici owned 16,741,348 common shares^(P) in Metro Pacific and 104,874 common shares^(P) in PLDT.
- Sutanto Djuhar owned 15,520,335 ordinary shares^(C) in Indofood.
- Tedy Djuhar owned 15,520,335 ordinary shares^(C) in Indofood.

- Ibrahim Risjad owned 6,406,180 ordinary shares^(P) in Indofood.
- Anthoni Salim owned 632,370 ordinary shares^(P) in Indofood.
- Albert F. del Rosario owned 95,025 common shares^(P) in PLDT, 1,560 preferred shares^(P) in PLDT, 32,231,970 preferred shares^(P) in Prime Media Holdings, Inc. (PMH) as nominee for another person, 4 common shares^(P) in PMH as beneficial owner, 100 common shares^(P) in Negros Navigation Company, Inc., 4,922 common shares^(P) in Costa de Madera Corporation, 19,999 common shares^(P) in FPD Savills Consultancy Philippines, Inc. as beneficial owner and one common share in FPD Savills Consultancy Philippines, Inc. as beneficiary of certain trusts, 15,000 common shares^(P) in Metro Pacific Land Holdings Inc., and 80,000 common shares^(P) in Metro Strategic Infrastructure Holdings, Inc.

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

Other than as disclosed, at 31 December 2005, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and SEHK.

Interests of Substantial Shareholders in the Company

The register of interests in shares and short positions of substantial shareholders maintained under Section 336 of the SFO shows that at 31 December 2005, the Company had been notified that the following persons were interested in five per cent or more of the Company's issued share capital.

- (A) First Pacific Investments Limited (FPIL-Liberia), which was incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at 31 December 2005, representing approximately 24.78 per cent of the Company's issued share capital at that date. FPIL-Liberia is owned by the Chairman (Anthoni Salim), three Non-executive Directors (Sutanto Djuhar, Tedy Djuhar and Ibrahim Risjad), the former Chairman (Soedono Salim) and a former Non-executive Director (Sudwikatmono) of the Company, in the proportion specified in the table on page 51 and in note (i) to the table. Each of these persons is taken to be interested in the shares owned by FPIL-Liberia.
- (B) First Pacific Investments (BVI) Limited (FPIL-BVI), which was incorporated in the British Virgin Islands, beneficially owned 628,296,599 ordinary shares at 31 December 2005, representing approximately 19.70 per cent of the Company's issued share capital at that date. Anthoni Salim, the Chairman, and Soedono Salim, the former Chairman of the Company, each beneficially owns one-third or more of the issued share capital of FPIL-BVI and, accordingly, each of them is taken to be interested in the shares owned by FPIL-BVI.
- (C) Brandes Investment Partners, L.P. (Brandes), a U.S. company, notified the Company that it held 382,993,147 ordinary shares of the Company in December 2005, representing approximately 12.01 per cent of the Company's issued share capital. At 31 December 2005, the Company has not received any other notification from Brandes of any change to such holding.
- (D) Marathon Asset Management Limited (Marathon), a U.K. company, notified the Company that it held 204,709,173 ordinary shares of the Company in November 2005, representing approximately 6.42 per cent of the Company's issued share capital. As at 31 December 2005, the Company has not received any other notification from Marathon of any change to such holding.

Other than as disclosed, the Directors and chief executive of the Company are not aware of any person at 31 December 2005 who had an interest or short position in the shares or underlying shares of equity derivatives of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in five per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company.

Subsequently on 30 March 2006, Deutsche Bank Aktiengesellschaft notified the Company that it held 176,524,000 ordinary shares of the Company (long position), representing approximately 5.54 per cent of the Company's issued share capital, as well as 14,571,000 ordinary shares of the Company (short position), representing approximately 0.46 per cent of the Company's issued share capital.

Contracts of Significance

Except for the continuing connected transactions set out in the Corporate Governance Report on pages 44 to 48, 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 36(D) to the 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 minority interest, and various information and financial ratios of the Company and the Group for the last ten financial years, as extracted from the audited Financial Statements and restated/reclassified as appropriate, is set out on page 120. This summary does not form part of the audited Financial Statements.

Major Customers and Suppliers

In 2005, sales to the Group's five largest customers, and purchases from the Group's five largest suppliers, respectively accounted for less than 30 per cent of total sales and total purchases for the year.

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 44 to 48.

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 2005 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.

Subsequent Events

Details of the significant subsequent events of the Group are set out in Note 39 to the Financial Statements.

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
31 March 2006



Report of the Auditors

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

We have audited the Financial Statements on pages 55 to 116 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Company's Directors are responsible for the preparation of Financial Statements which give a true and fair view. In preparing Financial Statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements and to report our opinion 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.

Basis of Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

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We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG

Certified Public Accountants

Hong Kong
31 March 2006

Financial Statements

Consolidated Profit and Loss Statement

For the year ended 31 December US\$ millions	Notes	2005	2004 (Restated) ⁽ⁱ⁾
Turnover	4	1,986.1	2,054.6
Cost of sales		(1,511.7)	(1,536.1)
Gross Profit		474.4	518.5
(Loss)/gain on dilutions and divestments, net		(6.3)	8.0
Distribution costs		(175.0)	(172.2)
Administrative expenses		(128.3)	(126.7)
Other operating expenses, net		(29.8)	(20.3)
Net borrowing costs	5	(107.3)	(111.9)
Share of profits less losses of associated companies		137.7	85.9
Profit Before Taxation	6	165.4	181.3
Taxation	7	(26.6)	(31.9)
Profit for the Year from Continuing Operations		138.8	149.4
Profit for the year from a discontinued operation	8	-	18.8
Profit for the Year		138.8	168.2
Attributable to:			
Equity holders of the parent	9	103.0	123.9
Minority interest		35.8	44.3
		138.8	168.2
Ordinary Share Dividends	10		
Interim – U.S. 0.13 cent (2004: Nil) per share		4.1	-
Proposed final – U.S. 0.26 cent (2004: Nil) per share		8.2	-
Total		12.3	-
Earnings per Share Attributable to Equity Holders of the Parent (U.S. cents)	11		
Basic			
– For profit from continuing operations		3.23	3.30
– For profit from a discontinued operation		-	0.59
– For profit for the year		3.23	3.89
Diluted			
– For profit from continuing operations		3.17	N/A
– For profit from a discontinued operation		-	N/A
– For profit for the year		3.17	N/A

N/A: Not applicable

(i) Refer to Note 2(B).

The Notes on pages 64 to 116 form an integral part of the Financial Statements.

Consolidated Balance Sheet

At 31 December US\$ millions	Notes	2005	2004 (Restated) ⁰
Non-current Assets			
Property and equipment	12	622.9	647.4
Plantations	13	169.0	147.4
Associated companies	15	381.7	168.9
Accounts receivable, other receivables and prepayments	16	11.7	9.2
Goodwill	17	32.7	36.5
Prepaid land premiums	18	34.5	41.0
Available-for-sale assets/long-term investments	19	2.7	11.5
Deferred tax assets	20	15.4	5.8
Restricted cash	33(G)	-	4.7
Other non-current assets	21	130.8	242.4
		1,401.4	1,314.8
Current Assets			
Cash and cash equivalents	22	296.0	186.6
Restricted cash	33(G)	4.7	4.5
Available-for-sale assets/short-term investments	19	52.4	21.4
Accounts receivable, other receivables and prepayments	16	286.7	360.0
Inventories	23	303.0	281.4
Non-current assets held for sale	24	2.9	-
		945.7	853.9
Current Liabilities			
Accounts payable, other payables and accruals	25	278.6	264.3
Short-term borrowings	26	345.0	288.9
Provision for taxation	27	11.2	26.2
Current portion of deferred liabilities and provisions	28	15.3	18.1
		650.1	597.5
Net Current Assets		295.6	256.4
Total Assets Less Current Liabilities		1,697.0	1,571.2

Consolidated Balance Sheet (cont'd)

At 31 December US\$ millions	Notes	2005	2004 (Restated) ⁽ⁱ⁾
Equity			
Issued share capital	29	31.9	31.9
Other reserves	30	927.9	902.8
Accumulated losses		(577.0)	(707.3)
<hr/>			
Equity attributable to equity holders of the parent		382.8	227.4
Minority interest	31	323.9	363.7
<hr/>			
Total Equity		706.7	591.1
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Non-current Liabilities			
Long-term borrowings	26	744.2	761.2
Deferred liabilities and provisions	28	92.7	107.1
Deferred tax liabilities	20	114.1	111.8
Derivative liability	32	39.3	–
<hr/>			
		990.3	980.1
<hr/>			
		1,697.0	1,571.2

(i) Refer to Note 2(B).

The Notes on pages 64 to 116 form an integral part of the Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN

Managing Director and Chief Executive Officer

EDWARD A. TORTORICI

Executive Director

31 March 2006

Company Balance Sheet

At 31 December US\$ millions	Notes	2005	2004 (Restated) ⁽ⁱ⁾
Non-current Assets			
Subsidiary companies	14	746.8	694.2
Amounts due from subsidiary companies	14(A)	1,534.8	1,169.9
		2,281.6	1,864.1
Current Assets			
Cash and cash equivalents	22	189.2	27.0
Other receivables and prepayments		0.4	–
		189.6	27.0
Current Liabilities			
Payables and accruals		5.3	8.7
Net Current Assets			
		184.3	18.3
Total Assets Less Current Liabilities			
		2,465.9	1,882.4
Equity			
Issued share capital	29	31.9	31.9
Other reserves		1,142.2	1,136.4
Retained profits/(accumulated losses)		245.1	(101.6)
Equity attributable to equity holders of the parent		1,419.2	1,066.7
Non-current Liabilities			
Amounts due to subsidiary companies	14(B)	1,046.7	815.7
		1,046.7	815.7
		2,465.9	1,882.4

(i) Refer to Note 2(B).

The Notes on pages 64 to 116 form an integral part of the Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

EDWARD A. TORTORICI
Executive Director

31 March 2006

Consolidated Statement of Changes in Equity

US\$ millions	Equity attributable to equity holders of the parent									
	Issued share capital	Share premium	Share options issued	Unrealized gains on available-for-sale assets	Unrealized gains on cash flow hedges	Exchange reserve	Accumulated losses	Total	Minority interest	Total equity
Balance at										
1 January 2004										
As previously reported	31.9	958.2	–	–	–	(3.4)	(935.6)	51.1	376.7	427.8
Prior year adjustments	–	–	–	–	–	–	(61.0)	(61.0)	(1.1)	(62.1)
As restated	31.9	958.2	–	–	–	(3.4)	(996.6)	(9.9)	375.6	365.7
Changes in equity for 2004:										
Exchange differences on translating foreign operations	–	–	–	–	–	(23.2)	–	(23.2)	(31.9)	(55.1)
Net expense recognized directly in equity	–	–	–	–	–	(23.2)	–	(23.2)	(31.9)	(55.1)
Net profit for the year, as restated	–	–	–	–	–	–	123.9	123.9	44.3	168.2
Total recognized income and expense for the year	–	–	–	–	–	(23.2)	123.9	100.7	12.4	113.1
Dilution and disposal of interests in subsidiary and associated companies	–	–	–	–	–	(33.2)	165.4	132.2	–	132.2
Acquisition of subsidiary companies	–	–	–	–	–	–	–	–	7.7	7.7
Change in attributable interests	–	–	–	–	–	–	–	–	(5.5)	(5.5)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(26.5)	(26.5)
Equity-settled share option arrangements	–	–	4.4	–	–	–	–	4.4	–	4.4
Balance at 31 December 2004 (Restated)^①	31.9	958.2	4.4	–	–	(59.8)	(707.3)	227.4	363.7	591.1

Consolidated Statement of Changes in Equity (cont'd)

US\$ millions	Equity attributable to equity holders of the parent									Total equity
	Issued share capital	Share premium	Share options issued	Unrealized gains on available-for-sale assets	Unrealized gains on cash flow hedges	Exchange reserve	Accumulated losses	Total	Minority interest	
Balance at 31 December 2004										
As previously reported	31.9	958.2	-	-	-	(59.8)	(635.7)	294.6	365.1	659.7
Prior year adjustments	-	-	4.4	-	-	-	(71.6)	(67.2)	(1.4)	(68.6)
As restated ⁽ⁱ⁾	31.9	958.2	4.4	-	-	(59.8)	(707.3)	227.4	363.7	591.1
Adjustments for adoption of HKAS 39 ⁽ⁱ⁾	-	-	-	1.7	-	-	32.1	33.8	-	33.8
Balance at 1 January 2005, as restated	31.9	958.2	4.4	1.7	-	(59.8)	(675.2)	261.2	363.7	624.9
Changes in equity for 2005:										
Exchange differences on translating foreign operations	-	-	-	-	-	9.7	-	9.7	(17.8)	(8.1)
Unrealized gains on available-for-sale assets	-	-	-	4.7	-	-	-	4.7	3.7	8.4
Unrealized gains on cash flow hedges	-	-	-	-	4.0	-	-	4.0	-	4.0
Acquisition of minority interest	-	-	-	-	-	-	(0.7)	(0.7)	(23.3)	(24.0)
Net income and expense recognized directly in equity	-	-	-	4.7	4.0	9.7	(0.7)	17.7	(37.4)	(19.7)
Net profit for the year	-	-	-	-	-	-	103.0	103.0	35.8	138.8
Total recognized income and expense for the year	-	-	-	4.7	4.0	9.7	102.3	120.7	(1.6)	119.1
Dilution of interest in an associated company	-	-	-	-	-	(0.8)	-	(0.8)	-	(0.8)
Acquisition of subsidiary companies	-	-	-	-	-	-	-	-	0.8	0.8
Change in attributable interests	-	-	-	-	-	-	-	-	(9.2)	(9.2)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(29.8)	(29.8)
Issue of shares upon the exercise of share options	-	0.9	(0.3)	-	-	-	-	0.6	-	0.6
Equity-settled share option arrangements	-	-	5.2	-	-	-	-	5.2	-	5.2
Interim dividend	-	-	-	-	-	-	(4.1)	(4.1)	-	(4.1)
Balance at 31 December 2005	31.9	959.1	9.3	6.4	4.0	(50.9)	(577.0)	382.8	323.9	706.7

(i) Refer to Note 2(B).

The Notes on pages 64 to 116 form an integral part of the Financial Statements.

Company Statement of Changes in Equity

US\$ millions	Issued share capital	Share premium	Share options issued	Contributed surplus	Retained profits/ (Accumulated losses)	Total
Balance at 1 January 2004	31.9	958.2	–	173.8	(231.9)	932.0
Net profit for the year, as restated	–	–	–	–	130.3	130.3
Equity-settled share option arrangements	–	–	4.4	–	–	4.4
Balance at 31 December 2004 (Restated)⁽ⁱ⁾	31.9	958.2	4.4	173.8	(101.6)	1,066.7
Balance at 31 December 2004						
As previously reported	31.9	958.2	–	173.8	(97.2)	1,066.7
Prior year adjustments	–	–	4.4	–	(4.4)	–
As restated ⁽ⁱ⁾	31.9	958.2	4.4	173.8	(101.6)	1,066.7
Net profit for the year	–	–	–	–	350.8	350.8
Issue of shares upon the exercise of share options	–	0.9	(0.3)	–	–	0.6
Equity-settled share option arrangements	–	–	5.2	–	–	5.2
Interim dividend	–	–	–	–	(4.1)	(4.1)
Balance at 31 December 2005	31.9	959.1	9.3	173.8	245.1	1,419.2

(i) Refer to Note 2(B).

The Notes on pages 64 to 116 form an integral part of the Financial Statements.

Consolidated Cash Flow Statement

For the year ended 31 December US\$ millions	Notes	2005	2004 (Restated) ⁰
Profit Before Taxation			
From continuing operations		165.4	181.3
From a discontinued operation		-	18.8
Adjustments for:			
Interest expenses		115.2	126.6
Depreciation		62.6	53.1
Foreign exchange and derivative losses, net		42.0	33.4
Loss on dilution of interests in a subsidiary and an associated company		6.3	3.0
Equity-settled share option expense		5.2	4.4
Recognition of prepaid land premiums		4.2	2.2
Loss/(gain) on sale of property and equipment		0.7	(1.8)
Amortization of goodwill		-	1.5
Gain on disposal of a discontinued operation		-	(17.1)
Gain on divestments, net		-	(11.0)
Share of profits less losses of associated companies			
From continuing operations		(137.7)	(85.9)
From a discontinued operation		-	(1.7)
(Increase)/decrease in other non-current assets		(16.6)	24.5
Gain on changes in fair value of plantations		(12.3)	(1.7)
Interest income		(7.9)	(14.7)
Payments in respect of deferred liabilities and provisions		-	(17.5)
Dividend income from available-for-sale assets/investments		(1.0)	-
Others		(26.3)	(5.9)
Operating profit before working capital changes		199.8	291.5
Increase/(decrease) in accounts payable, other payables and accruals		49.0	(48.0)
Decrease in accounts receivable, other receivables and prepayments		18.8	29.6
Decrease in pledged deposits		-	1.9
Increase in inventories		(41.0)	(1.9)
Net cash generated from operations ⁽¹⁾		226.6	273.1
Interest received		7.6	14.8
Interest paid		(101.6)	(120.8)
Tax paid		(42.4)	(41.5)
Net Cash Inflow from Operating Activities		90.2	125.6

Consolidated Cash Flow Statement (cont'd)

For the year ended 31 December US\$ millions	Notes	2005	2004 (Restated) ⁽ⁱ⁾
Proceeds from termination of derivative transactions		96.3	–
Dividend received from an associated company		38.9	–
Compensation received in connection with the establishment of a joint venture		13.3	–
Sale of property and equipment		7.1	7.9
Divestments of subsidiary companies		–	9.1
Increased investments in associated companies	33(A)	(57.3)	–
Purchase of property and equipment		(54.9)	(109.1)
(Acquisitions)/sale of available-for-sale assets/short-term investments		(20.4)	39.9
Acquisition of associated companies	33(B)	(17.6)	–
Deposits for acquisition and increased investments in subsidiary companies	33(C)	(14.9)	(39.1)
Acquisition of subsidiary companies	33(D)	(6.2)	(25.6)
Acquisition of convertible bonds	33(E)	(5.2)	–
Increased investments in subsidiary companies	33(F)	(4.9)	(16.9)
Loans (to)/repaid by associated companies		(1.4)	0.5
From continuing operations		(27.2)	(133.3)
From a discontinued operation		–	15.0
Net Cash Outflow from Investing Activities		(27.2)	(118.3)
Proceeds of new borrowings		601.0	255.9
Issue of shares upon the exercise of share options		0.6	–
Shares issued to minority shareholders by a subsidiary company		–	0.1
Borrowings repaid		(517.5)	(277.6)
Dividends paid to minority shareholders by subsidiary companies		(29.8)	(26.5)
Dividend paid to shareholders		(4.1)	–
Decrease in restricted cash		4.5	11.2
Net Cash Inflow/(Outflow) from Financing Activities		54.7	(36.9)
Net Increase/(Decrease) in Cash and Cash Equivalents		117.7	(29.6)
Cash and cash equivalents at 1 January		186.6	233.3
Exchange translation		(8.3)	(17.1)
Cash and Cash Equivalents at 31 December		296.0	186.6
Representing			
Cash and cash equivalents		296.0	186.6

(i) Refer to Note 2(B).

(ii) Changes in working capital are stated excluding movements due to acquisition and disposal of subsidiary companies.

The Notes on pages 64 to 116 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. Corporate Information

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

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 in the United States through ADRs.

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

(A) Basis of Preparation

The Financial Statements have been prepared in accordance with HKFRSs (which also include HKASs and Interpretations) issued by the HKICPA, Hong Kong GAAP and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The 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. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell as further explained in Note 2(E)(u). These Financial Statements are presented in United States (U.S.) dollars and rounded to the nearest million (US\$ million) with one decimal place except when otherwise indicated.

(B) Impact of New and Revised HKFRSs

In line with the HKICPA's long-standing policy of working towards full convergence with IFRSs issued by the International Accounting Standards Board, in 2004, the HKICPA has issued a number of new and revised HKASs and HKFRSs (herein collectively referred to as the new HKFRSs) to replace, supplement or cover areas not yet addressed by the SSAPs applicable in Hong Kong up to 31 December 2004.

Accordingly, significant changes to Hong Kong GAAP had been implemented during 2005 as a consequence the new HKFRSs issued by the HKICPA, which became effective for accounting periods commencing on, or after, 1 January 2005. The principal changes to HK GAAP and the new HKFRSs which affect the Group and are adopted for the first time for the current year's Financial Statements are summarized as follows. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	"Presentation of Financial Statements"
HKAS 2	"Inventories"
HKAS 7	"Cash Flow Statements"
HKAS 8	"Accounting Policies, Changes in Accounting Estimates and Errors"
HKAS 10	"Events after the Balance Sheet Date"
HKAS 11	"Construction Contracts"
HKAS 12	"Income Taxes"
HKAS 14	"Segment Reporting"
HKAS 16	"Property, Plant and Equipment"
HKAS 17	"Leases"
HKAS 18	"Revenue"
HKAS 19	"Employee Benefits"
HKAS 20	"Accounting for Government Grants and Disclosure of Government Assistance"
HKAS 21	"The Effects of Changes in Foreign Exchange Rates"
HKAS 23	"Borrowing Costs"
HKAS 24	"Related Party Disclosures"
HKAS 27	"Consolidated and Separate Financial Statements"
HKAS 28	"Investments in Associates"
HKAS 29	"Financial Reporting in Hyperinflationary Economies"
HKAS 31	"Interests in Joint Ventures"
HKAS 32	"Financial Instruments: Disclosure and Presentation"
HKAS 33	"Earnings per Share"

HKAS 36	"Impairment of Assets"
HKAS 37	"Provisions, Contingent Liabilities and Contingent Assets"
HKAS 38	"Intangible Assets"
HKAS 39	"Financial Instruments: Recognition and Measurement"
HKAS 39 Amendment	"Transition and Initial Recognition of Financial Assets and Financial Liabilities"
HKAS 40	"Investment Property"
HKAS 41	"Agriculture"
HKFRS 2	"Share-based Payment"
HKFRS 3	"Business Combinations"
HKFRS 5	"Non-current Assets Held for Sale and Discontinued Operations"

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 18, 19, 20, 21, 23, 24, 27, 28, 29, 31, 36, 37, 38, 40 and 41 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's consolidated Financial Statements. The impact of adopting the other HKFRSs is summarized as follows:

- HKAS 1 "Presentation of Financial Statements" provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying assets and liabilities as current or non-current; prohibits the presentation of income from operating activities and extraordinary items as separate line items in the consolidated profit and loss statement; requires the presentation of share of results of associated companies on an after-tax basis in the consolidated profit and loss statement and specifies the disclosures about the key sources of estimates, uncertainties and the judgments management has made in the process of applying the entity's accounting policies. The standard also affects the presentation of minority interest on the face of the Group's consolidated profit and loss statement, balance sheet and statement of changes in equity and other disclosures. The adoption of HKAS 1 has resulted in changes in the presentation of the Group's consolidated profit and loss statement, balance sheet, statement of changes in equity and cash flow statement, but has had no effect on both the profit attributable to equity holders of the parent for the year ended 31 December 2004 and equity attributable to equity holders of the parent at 31 December 2004.
- HKAS 16 "Property, Plant and Equipment" provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. The standard also provides that the cost of an item of property, plant and equipment should include the costs of its dismantlement, removal or restoration – the obligation for which the Group incurs as a consequence of installing the item, or of using the item during a particular period for purposes other than to produce inventories during that period. The adoption of HKAS 16 has effectively reduced the profit attributable to equity holders of the parent for the year ended 31 December 2004 by US\$0.6 million and reduced the equity attributable to equity holders of the parent at 31 December 2004 by US\$2.1 million.
- HKAS 17 "Leases" prescribes the classification of interest in leasehold land as an operating lease if the title of the land is not passed to the Group by the end of the lease term. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently recognized as expenses on the straight-line basis over the lease term. The adoption of HKAS 17 has resulted in a reclassification of leasehold land from Property and equipment and Other non-current assets of US\$23.3 million and US\$17.7 million, respectively, to Prepaid land premiums in the Group's consolidated balance sheet at 31 December 2004. However, the adoption has had no effect on both the profit attributable to equity holders of the parent for the year ended 31 December 2004 and equity attributable to equity holders of the parent at 31 December 2004.
- HKAS 32 "Financial Instruments: Disclosure and Presentation" covers the disclosure and presentation of all financial instruments. This standard requires more comprehensive disclosures about a company's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used, types of risk associated with both recognized and unrecognized financial instruments (market risk, price risk, credit risk, liquidity risk, and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the company's financial risk management policies and objectives. This standard also requires financial instruments to be classified as liabilities or equity in accordance with their substance and not their legal form. HKAS 32 requires retrospective application. The adoption of HKAS 32 has effectively reduced the profit attributable to equity holders of the parent for the year ended 31 December 2004 by US\$5.6 million and reducing the equity attributable to equity holders of the parent at 31 December 2004 by US\$65.1 million.
- HKAS 33 "Earnings per Share" prescribes principles for the determination and presentation of earnings per share. It requires separate disclosure of basic and diluted earnings per share from continuing operations on the face of the consolidated profit and loss statement. The adoption of HKAS 33 has resulted in changes in the presentation of the Group's earnings per share on the face of the consolidated profit and loss statement.

- HKAS 39 “Financial Instruments: Recognition and Measurement” establishes the accounting and reporting standards for recognizing and measuring a company’s financial assets and financial liabilities. This standard requires a financial asset or financial liability to be recognized initially at cost, which is the fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Subsequent to initial recognition, the company should continue to measure financial assets at their fair values, except for loans and receivables and held-to-maturity investments, which are measured at cost or amortized cost using the effective interest rate method. Investments in unquoted equity securities are measured at cost less impairment provisions. Financial liabilities are subsequently measured at cost or amortized cost, except for liabilities classified as “at fair value through profit and loss” and derivatives, which are measured at fair value.

HKAS 39 also covers the accounting for derivative instruments. This standard has expanded the definition of a derivative instrument to include derivatives (derivative-like provisions) embedded in non-derivative contracts. Under this standard, every derivative instrument is recorded in the balance sheet as either an asset or liability measured at its fair value. Derivatives that are not designated and do not qualify as hedges are adjusted to fair value through profit and loss. If the derivative is designated and qualified as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through profit and loss, or recognized in equity until the hedged item is recognized in profit and loss.

The adoption of HKAS 39 has resulted in a change of the Group’s accounting policy on the measurement of its various financial assets and liabilities from historical cost to either fair value or amortized cost based on the effective interest rate method. HKAS 39 generally does not permit a company to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. As a result, the Group remeasured its various financial assets and liabilities at 1 January 2005. The differences which arose from the remeasurement were adjusted to the Group’s balance of accumulated losses at 1 January 2005 as required under the transitional provisions of the standard. The adjustments have effectively increased the equity attributable to equity holders of the parent at 1 January 2005 by US\$33.8 million.

- HKFRS 2 “Share-based Payment” requires an entity to recognize expenses in a share-based payment transaction when it obtains the goods or as the services are rendered. The entity shall recognize a corresponding increase in equity if the goods or services were received in an equity-settled transaction, or shall recognize liability if the goods or services were acquired in a cash-settled transaction. Pursuant to the transitional provisions of HKFRS 2, expenses relating to share options granted after 7 November 2002 and not yet fully vested on 1 January 2005 should be accounted for on a retrospective basis. The adoption of HKFRS 2 has effectively reduced the profit attributable to equity holders of the parent for the year ended 31 December 2004 by US\$4.4 million, but has no effect on the equity attributable to equity holders of the parent at 31 December 2004.
- HKFRS 3 “Business Combinations” requires all business combinations within its scope to be accounted for by applying the purchase method. In addition, this standard requires the acquirer to initially measure separately the identifiable assets, liabilities and contingent liabilities at their fair values, at acquisition date, irrespective of the extent of any minority interest.

HKFRS 3 also requires goodwill in a business combination to be recognized by an acquirer as an asset from the acquisition date, initially measured as the excess of the cost of the business combination over the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities. Further, the amortization of goodwill acquired in a business combination is prohibited. Instead, goodwill is to be tested annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. Goodwill that had been previously eliminated against reserves as a matter of accounting treatment will not be reinstated in the consolidated profit and loss statement upon disposal or impairment of the asset. The adoption of HKFRS 3 has resulted in the Group conducting an impairment review of its goodwill balance at least on an annual basis instead of amortizing its goodwill balance starting from 1 January 2005 and has had no effect on both the profit attributable to equity holders of the parent for the year ended 31 December 2004 and equity attributable to equity holders of the parent at 31 December 2004.

- HKFRS 5 “Non-current Assets Held-for-Sale and Discontinued Operations” requires an operation to be classified as discontinued when the criteria to be classified as held-for-sale have been met or the entity has disposed of the operation. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The adoption of HKFRS 5 has resulted in changes in the presentation of the Group’s consolidated profit and loss statement and has had no effect on both the profit attributable to equity holders of the parent for the year ended 31 December 2004 and equity attributable to equity holders of the parent at 31 December 2004.

(C) Summary of the Impact of Changes in Accounting Policies

(a) Effect on the consolidated balance sheet at 1 January 2005 and 31 December 2005

Effect of new accounting policies	HKAS 1 ⁽ⁱ⁾	HKAS 16 ⁽ⁱ⁾	HKAS 17 ⁽ⁱ⁾	HKAS 32 ⁽ⁱ⁾ Interest accretion on convertible preferred shares	HKAS 39 ⁽ⁱ⁾ Remeasurement of financial assets and liabilities	HKFRS 2 ⁽ⁱ⁾ Equity- settled share option arrangements	Total
Increase/(decrease) US\$ millions	Presentation	Dismantling costs for property and equipment	Prepaid land premiums				
At 1 January 2005							
Assets							
Property and equipment	-	6.3	(23.3)	-	-	-	(17.0)
Associated companies	-	(0.9)	-	(65.1)	32.6	-	(33.4)
Long-term receivables and prepayments	(269.2)	-	-	-	-	-	(269.2)
Accounts receivable, other receivables and prepayments (Non-current)	9.2	-	-	-	-	-	9.2
Prepaid land premiums	-	-	41.0	-	-	-	41.0
Available-for-sale assets/ long-term investments	11.5	-	-	-	-	-	11.5
Other non-current assets	260.0	-	(17.7)	-	(33.7)	-	208.6
Available-for-sale assets/ short-term investments	(11.5)	-	-	-	-	-	(11.5)
	-	5.4	-	(65.1)	(1.1)	-	(60.8)
Liabilities/Equity							
Long-term borrowings	-	-	-	-	(25.8)	-	(25.8)
Deferred liabilities and provisions	-	7.0	-	-	-	-	7.0
Deferred tax liabilities	-	1.9	-	-	(7.8)	-	(5.9)
Accounts payable, other payables and accruals	(18.1)	-	-	-	(1.0)	-	(19.1)
Short-term borrowings	-	-	-	-	(0.3)	-	(0.3)
Current portion of deferred liabilities and provisions	18.1	-	-	-	-	-	18.1
Share options issued	-	-	-	-	-	4.4	4.4
Unrealized gains on available-for-sale assets	-	-	-	-	1.7	-	1.7
Accumulated losses	-	(2.1)	-	(65.1)	32.1	(4.4)	(39.5)
Minority interest	-	(1.4)	-	-	-	-	(1.4)
	-	5.4	-	(65.1)	(1.1)	-	(60.8)

(i) Adjustments/presentation taken effect retrospectively.

(ii) Adjustments taken effect prospectively from 1 January 2005.

Effect of new accounting policies	HKAS 1	HKAS 16	HKAS 17	HKAS 32	HKAS 39	HKFRS 2	HKFRS 3	HKFRS 5	
Increase/(decrease)		Dismantling costs for property and equipment	Prepaid land premiums	Interest accretion on convertible preferred shares	Remeasurement of financial assets and liabilities	Equity-settled share option arrangements	Discontinuation of amortization and reinstatement of goodwill	Vessels classified as held-for-sale	
US\$ millions	Presentation								Total
At 31 December 2005									
Assets									
Property and equipment	-	4.8	(18.5)	-	-	-	-	(2.9)	(16.6)
Associated companies	-	(1.6)	-	(73.0)	28.3	-	27.5	-	(18.8)
Long-term receivables and prepayments	(160.7)	-	-	-	(0.8)	-	-	-	(161.5)
Accounts receivable, other receivables and prepayments (Non-current)	11.7	-	-	-	-	-	-	-	11.7
Goodwill	-	-	-	-	-	-	3.0	-	3.0
Prepaid land premiums	-	-	34.5	-	-	-	-	-	34.5
Other non-current assets	149.0	-	(16.0)	-	(2.2)	-	-	-	130.8
Non-current assets held for sale	-	-	-	-	-	-	-	2.9	2.9
	-	3.2	-	(73.0)	25.3	-	30.5	-	(14.0)
Liabilities/Equity									
Long-term borrowings	-	-	-	-	(39.8)	-	-	-	(39.8)
Deferred liabilities and provisions	-	6.7	-	-	-	-	-	-	6.7
Deferred tax liabilities	-	1.7	-	-	1.7	-	-	-	3.4
Derivative liability	-	-	-	-	39.3	-	-	-	39.3
Accounts payable, other payables and accruals	(15.3)	-	-	-	(1.0)	-	-	-	(16.3)
Current portion of deferred liabilities and provisions	15.3	-	-	-	-	-	-	-	15.3
Share premium	-	-	-	-	-	0.3	-	-	0.3
Share options issued	-	-	-	-	-	9.3	-	-	9.3
Unrealized gains on available-for-sale assets	-	-	-	-	6.4	-	-	-	6.4
Unrealized gains on cash flow hedges	-	-	-	-	4.0	-	-	-	4.0
Accumulated losses	-	(3.5)	-	(73.0)	4.3	(9.6)	29.5	-	(52.3)
Minority interest	-	(1.7)	-	-	10.4	-	1.0	-	9.7
	-	3.2	-	(73.0)	25.3	-	30.5	-	(14.0)

(b) Effect on the balances of equity at 1 January 2004 and at 1 January 2005

Effect of new accounting policies	HKAS 16	HKAS 32 Interest accretion on convertible preferred shares	HKAS 39 Remeasurement of financial assets and liabilities	HKFRS 2 Equity-settled share option arrangements	Total
Increase/(decrease) US\$ millions					
At 1 January 2004					
Accumulated losses	(1.5)	(59.5)	–	–	(61.0)
Minority interest	(1.1)	–	–	–	(1.1)
Total equity	(2.6)	(59.5)	–	–	(62.1)
At 1 January 2005					
Share options issued	–	–	–	4.4	4.4
Unrealized gains on available-for-sale assets	–	–	1.7	–	1.7
Accumulated losses	(2.1)	(65.1)	32.1	(4.4)	(39.5)
Minority interest	(1.4)	–	–	–	(1.4)
Total equity	(3.5)	(65.1)	33.8	–	(34.8)

(c) Effect on the consolidated profit and loss statement for the years ended 31 December 2005 and 2004

Effect of new accounting policies	HKAS 1	HKAS 16	HKAS 32	HKAS 39	HKFRS 2	HKFRS 3	
		Dismantling	Interest	Remeasure-		Discontinuation	
For the year ended		costs for	accretion	ment of	Equity-settled	of goodwill	
31 December 2005		property and	on convertible	financial	share option	amortization	
US\$ millions	Presentation	equipment	preferred	assets and	arrangements	and	Total
			shares	liabilities		reinstatement	
Increase in cost of sales	-	(1.2)	-	-	-	-	(1.2)
Decrease in loss on dilutions and divestments, net	-	-	-	-	-	26.8	26.8
(Increase)/decrease in administrative expenses	-	-	-	(9.3)	(5.2)	3.0	(11.5)
Decrease in other operating expenses, net	-	-	-	2.2	-	-	2.2
Decrease in net borrowing costs	-	-	-	3.3	-	-	3.3
(Decrease)/increase in share of profits less losses of associated companies	(19.2)	(1.0)	(11.7)	(12.3)	-	0.8	(43.4)
Decrease/(increase) in taxation	19.2	0.5	3.8	(5.1)	-	(0.1)	18.3
(Decrease)/increase in profit for the year	-	(1.7)	(7.9)	(21.2)	(5.2)	30.5	(5.5)
Attributable to:							
Equity holders of the parent	-	(1.4)	(7.9)	(27.8)	(5.2)	29.5	(12.8)
Minority interest	-	(0.3)	-	6.6	-	1.0	7.3
(Decrease)/increase in profit for the year	-	(1.7)	(7.9)	(21.2)	(5.2)	30.5	(5.5)
(Decrease)/Increase in Earnings per Share Attributable to Equity Holders of the Parent (U.S. cents)							
Basic	-	(0.04)	(0.25)	(0.87)	(0.16)	0.92	(0.40)
Diluted	-	(0.04)	(0.25)	(0.87)	(0.16)	0.92	(0.40)

Effect of new accounting policies	HKAS 1	HKAS 16 Dismantling costs	HKAS 32 Interest accretion on convertible preferred shares	HKFRS 2 Equity-settled share option arrangements	HKFRS 5 Reclassification of a discontinued operation	Total
For the year ended 31 December 2004 US\$ millions	Presentation	for property and equipment				
Decrease in gain on disposal of a discontinued operation, divestments and dilutions, net	-	-	-	-	(17.1)	(17.1)
Increase in administrative expenses	-	(0.8)	-	(4.4)	-	(5.2)
Decrease in share of profits less losses of associated companies	(22.4)	(0.4)	(8.2)	-	(1.7)	(32.7)
Decrease in taxation	22.4	0.4	2.6	-	-	25.4
Increase in profit from a discontinued operation	-	-	-	-	18.8	18.8
Decrease in profit for the year	-	(0.8)	(5.6)	(4.4)	-	(10.8)
Attributable to:						
Equity holders of the parent	-	(0.6)	(5.6)	(4.4)	-	(10.6)
Minority interest	-	(0.2)	-	-	-	(0.2)
Decrease in profit for the year	-	(0.8)	(5.6)	(4.4)	-	(10.8)
Decrease in Earnings per Share Attributable to Equity Holders of the Parent (U.S. cents)						
Basic	-	(0.02)	(0.17)	(0.14)	-	(0.33)
Diluted	N/A	N/A	N/A	N/A	N/A	N/A

N/A: Not applicable

(D) 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, to these Financial Statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	"Capital Disclosures"
HKAS 19 Amendment	"Actuarial Gains and Losses, Group Plans and Disclosures"
HKAS 39 Amendment	"Cash Flow Hedge Accounting of Forecast Intragroup Transactions"
HKAS 39 Amendment	"The Fair Value Option"
HKAS 39 and HKFRS 4 Amendments	"Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts"
HKFRSs 1 & 6 Amendments	"First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources"
HKFRS 6	"Exploration for and Evaluation of Mineral Resources"
HKFRS 7	"Financial Instruments: Disclosures"
HK(IFRIC)-Int 4	"Determining whether an Arrangement contains a Lease"
HK(IFRIC)-Int 5	"Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
HK(IFRIC)-Int 6	"Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"
HK(IFRIC)-Int 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics"

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

The HKAS 39 Amendment regarding the fair value option restricts the designation of any financial asset or financial liability as measured at fair value through profit and loss, unless certain conditions can be met.

The HKAS 19 Amendment, HKAS 39 Amendments regarding cash flow hedge accounting of forecast intragroup transactions and financial guarantee contracts, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 do not apply to the activities of the Group. HK(IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's Financial Statements in the period of initial application.

(E) Summary of Principal Accounting Policies

(a) Basis of consolidation

The consolidated Financial Statements include the financial statements of the Company and its subsidiary companies for the year ended 31 December 2005. All significant intercompany 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 so as to obtain benefits from its activities.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss 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. The gain or loss on the disposal of a subsidiary company represents the difference between the net proceeds from sale and the Group's share of its net assets, including the attributable carrying amount of goodwill.

The acquisition of subsidiary companies during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interest represents the interests of minority shareholders in the results and net assets of the Company's subsidiary companies.

In the Company's balance sheet, 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 balance sheets, 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 cash flow statement, 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, are subject to an insignificant risk of changes in value, and have a short maturity of generally less than three months when acquired, less bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

(c) 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 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 sales prices less estimates of costs to completion and selling expenses.

(d) Property and equipment

Freehold land is stated at cost and is not depreciated. Other property and equipment is stated at cost less accumulated impairment losses and accumulated depreciation, 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 given in Note 12(A).

The initial cost of property 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 obligation, interest on borrowed funds used during the construction period and qualified borrowing costs from foreign exchange losses related to foreign currency-denominated liabilities used to acquire such assets. Major costs incurred in restoring property and equipment to their normal working condition are charged to the profit and loss statement. 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 profit and loss statement.

Where parts of an item of property 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 and equipment.

(e) Plantations

Oil palm plantations are classified into immature and mature plantations. Immature plantations are reclassified as mature plantations when they start to produce fresh fruit bunches at an average of at least four tons per hectare in one year. On average, an oil palm plantation takes about four years to reach maturity from the time of planting. Both immature and mature plantations are stated at fair value less estimated point-of-sale costs. The fair value of plantations is determined based on the present value of their expected net cash inflows. Net increments or decrements in the fair value of plantations are included in the profit and loss statement.

Rubber plantations are considered mature five to six years from the time of planting in the field.

(f) Associated companies

An associated company is an entity, not being a subsidiary company, in which the Group has a substantial long-term interest of generally not less than twenty per cent in the equity voting rights and over whose management the Group is in a position to exercise significant influence, including participation in the financial and operating policy decisions.

Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated profit and loss 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 profit and loss statement as the Group's share of profits less losses of associated companies.

Where there has been a change recognized directly in the associated companies' equity, the Group will recognize its share of any changes and disclose this, 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.

(g) Asset retirement obligations

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

(h) Income tax

Income tax comprises current and deferred taxes. Income tax is recognized in the profit and loss statement, or in equity if it relates to items that are recognized 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.

Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences (with limited exceptions) arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax assets and unused tax losses (with limited exceptions). The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 utilized. 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 utilized.

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 balance sheet date.

(i) Provisions and contingent liabilities

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 balance sheet date, 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 profit and loss 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.

(j) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of assets including property and equipment, investments, goodwill and other long-lived 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 profit and loss 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 an impairment loss is credited to the profit and loss 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.

(k) Accounting for acquisition and disposal**(l) Results**

The results of subsidiary or associated companies acquired or sold are accounted for from or to the effective date of acquisition or disposal.

(II) Fair value adjustments

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

(III) Goodwill

Goodwill represents the excess of the cost of the acquisition 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. Upon adoption of HKFRS 3, goodwill is no longer amortized. The carrying amount of accumulated amortization of goodwill at 1 January 2005 is eliminated with a corresponding decrease in the cost of goodwill amount on that date. Goodwill is 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. 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 cost of the acquisition, after reassessment, is recognized immediately in the consolidated profit and loss statement.

In the case of associated companies, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against the consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated retained profits and is not recognized in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

(I) Foreign currencies*(I) Functional and presentational 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 (the "functional currency"). The consolidated financial statements are presented in the currency of United States dollars, 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 profit and loss statement.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognized as a separate component of equity. 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 profit and loss 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 closing rate.

(m) Turnover and revenue recognition

Turnover represents the amounts received and receivable from the sale of goods and properties 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 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.

(n) Segmental information

A segment is a distinguishable component of the Group that is engaged either in providing certain products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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 intra-group balances and intra-group transactions are eliminated as part of the consolidation process.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Head Office and other items mainly comprise Head Office assets, borrowings and overheads.

(o) 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 profit and loss statement on the straight-line basis over the lease terms.

Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently recognized as expenses on the straight-line basis over the lease terms.

Lease obligations having provisions for bargain purchase options, ownership transfer at the end of the lease term, or minimum lease payments, which approximate the fair market value of the property are capitalized. The related obligations are recognized as liabilities. 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.

(p) 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 value of the retirement 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 on a systematic basis so as to be spread over the expected remaining service lives of the employees affected. Actuarial gains and losses are recognized immediately in the profit and loss statement 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 probable future payments that have been earned by the employees from their service to the Group at the balance sheet date.

(III) Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at the date at which they are granted. Fair value is determined using an option-pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the relevant shares (market conditions).

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, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date 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 awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance 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. An expense is recognized for any increase in the 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. 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.

(IV) Cash-settled transactions

The Group's associated companies grants share appreciation rights (SARs) to eligible key executives and advisors, and recognize the services received and the liability to pay for those services, as the eligible key executives and advisors render services during the vesting period. The liability is measured, initially and at each reporting date until settled, at the fair value of the 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 profit and loss 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 balance sheet date is permitted to be carried forward and utilized by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(q) Borrowing costs

Borrowing 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 borrowing costs to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed in the profit and loss 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.

(r) Financial assets/investments and financial liabilities

Applicable to the year ended 31 December 2004:

Short-term investments are securities stated at fair value. At each balance sheet date, the unrealized gains and losses arising from changes in fair values of short-term investments are recognized in the consolidated profit and loss statement.

The gains or losses on the disposals of short-term investments, representing the difference between the net sales proceeds and the carrying amount of the investments, are recognized in the consolidated profit and loss statement as they arise.

Applicable to the year ended 31 December 2005:

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument and derecognize a financial asset when the Group no longer control 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. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using settlement date accounting.

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. 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 and 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 rate method: (i) loans and receivables; (ii) held-to-maturity investments; and (iii) financial liabilities other than liabilities measured at fair values through profit and loss, whereas available-for-sale assets are measured at fair value with gains or losses being recognized as a separate component of equity 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 profit and loss statement.

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

Amortizations of discounts and premiums are taken directly to the consolidated profit or loss 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 held "at fair value through profit and loss" at origination, are taken directly to the profit or loss statement. Changes in the fair value of available-for-sale securities are recognized in equity, except for the foreign exchange fluctuations on available-for-sale debt securities and 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.

Financial instruments are classified as a financial liability, or a financial asset or an equity in accordance with the substance of the contractual arrangement. Financial instruments that contain both liability and equity elements are classified separately as financial liabilities, financial assets 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.

(s) 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 achieving 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 that is 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 purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognized asset or liability and firm commitment; or 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.

In relation to fair value hedges which meet the conditions for special hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the profit and loss 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 profit and loss 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 in equity and the ineffective portion is recognized in consolidated profit or loss statement. The gains or losses that are accumulated in equity are transferred to the profit and loss statement in the same period in which the hedged item affects the profit or loss.

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, any net cumulative gain or loss previously recognized in equity is transferred to the profit and loss statement.

(t) Related parties

A party is considered to be related to the Group if:

- (I) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Company that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (II) the party is an associate;
- (III) the party is a jointly-controlled entity;
- (IV) the party is a member of the key management personnel of the Group;
- (V) the party is a close member of the family of any individual referred to in (I) or (IV);
- (VI) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (IV) or (V); or
- (VII) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Group.

(u) Non-current assets held for sale

Non-current assets held for sale represent assets having carrying amounts which will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable. Non-current assets held for sale are stated at the lower of its carrying amount and fair value less costs to sell.

3. Significant Accounting Judgments and Estimates

(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 Financial Statements:

Classification of financial assets and financial liabilities

The Group determines the classification of certain of 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(E)(r) to the Financial Statements.

(B) Estimation Uncertainty

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

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

The Group estimates the useful lives and residual values of its property 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 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 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 and equipment would increase its recorded depreciation expenses and decrease its non-current assets.

(b) Assets impairment

Hong Kong GAAP requires that an impairment review 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 asset may be impaired.

Purchase 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 in the past affected its results of operations for the amount of periodic amortization expense. However, the Group no longer amortizes goodwill under Hong Kong GAAP effective 1 January 2005. Instead, goodwill is subject to a periodic impairment test.

Determining the fair value of property and equipment and plantations at the date of acquisition, 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 property and equipment and plantations 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 under Hong Kong GAAP.

(c) Deferred tax assets

The Group reviews the carrying amounts at each balance sheet date 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.

(d) Financial assets and liabilities

Hong Kong GAAP 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 methodology. Any changes in fair value of these financial assets and liabilities would affect directly the Group's consolidated profit and loss and equity.

(e) Estimating allowances for doubtful accounts

The Group estimates the allowance for doubtful accounts related to its trade receivables based on two methods. The amounts calculated using each of these methods are combined to determine the total amount it provide. First, the Group evaluate specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Group uses judgment, 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. Second, a provision is established as a certain percentage of age of status 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 doubtful accounts would increase its recorded operating expenses and decrease its current assets.

(f) 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.

(g) Pension and other retirement benefits

The determination of the Group's obligation and cost for defined benefits is dependent on its selection of certain assumptions used by actuaries 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 lives of employees. In accordance with Hong Kong GAAP, actual results that differ from the Group's assumptions are recognized immediately in the profit and loss statement as and when they occur. While the Group believes that its 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.

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(h) Income taxes

Significant estimation is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

(i) Measurement of fair value of plantations

Hong Kong GAAP requires that the Group carries its plantations at fair value less estimated point-of-sale costs, which requires extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including 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 and loss and equity.

(j) Derivative liabilities

Hong Kong GAAP requires that the Group carries its option embedded in the Exchangeable Notes issued, at fair value, which requires extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including the trading price of the Exchangeable Notes and expected volatility of the underlying PLDT share price, and the average market interest rate. The amount of changes in fair value would differ if the Group utilized different assumptions. Any changes in fair value of the Exchangeable Notes would affect directly the Group's profit and loss and equity.

(k) Equity-settled share option expense

Hong Kong GAAP requires that the Group carries its share options issued by the Company and its subsidiary companies, at fair value, which requires extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including expected volatility and dividend yield and average risk-free interest rate. The amount of changes in fair value would differ if the Group utilized different assumptions. Any changes in fair value of the share options would affect directly the Group's profit and loss.

4. Turnover and Segmental Information

US\$ millions	2005	2004
Turnover		
Sale of goods and properties	1,946.3	2,022.5
Rendering of services	39.8	32.1
Total	1,986.1	2,054.6

Segmental Information

Segmental information, relating to the Group's business and geographic segments, follows. Analysis by business segment is the Group's primary segment reporting format as this is more relevant to the Group when making operational and financial decisions. Details of the Group's principal investments are provided on inside back cover. Particulars in respect of a discontinued operation are set out in Note 8.

By Principal Business Activity – 2005

US\$ millions	Telecom- munications	Consumer Food Products	Property and Transportation	Head Office	2005 Total
Profit and Loss					
Segment revenue – turnover	–	1,923.4	62.7	–	1,986.1
Segment results	–	164.8	28.8	(58.6)	135.0
Net borrowing costs					(107.3)
Share of profits less losses of associated companies	141.8	(4.2)	0.1	–	137.7
Profit before taxation					165.4
Taxation					(26.6)
Profit for the year					138.8
Assets and Liabilities					
Segment assets	–	1,578.8	116.4	199.7	1,894.9
Associated companies	364.4	3.5	13.8	–	381.7
Unallocated assets					70.5
Total assets					2,347.1
Segment liabilities	–	273.6	56.9	95.4	425.9
Unallocated liabilities					1,214.5
Total liabilities					1,640.4
Other Information					
Capital expenditure	–	50.4	6.2	–	56.6
Depreciation	–	57.4	5.2	–	62.6
Foreign exchange and derivative losses, net	–	16.6	–	25.4	42.0
Other non-cash expenses	–	2.1	2.7	11.5	16.3

By Principal Geographical Market – 2005

US\$ millions	The Philippines	Indonesia	Others	Head Office	2005 Total
Segment revenue – turnover	62.7	1,923.4	–	–	1,986.1
Segment assets	116.4	1,578.8	–	199.7	1,894.9
Associated companies	363.9	3.5	14.3	–	381.7
Unallocated assets					70.5
Total assets					2,347.1
Capital expenditure	6.2	50.4	–	–	56.6

By Principal Business Activity – 2004

US\$ millions	Telecom- munications	Consumer Food Products	Property and Transportation	Head Office	2004 (Restated) Total
Profit and Loss					
Segment revenue – turnover	–	1,995.8	58.8	–	2,054.6
Segment results	–	189.1	34.2	(16.0)	207.3
Net borrowing costs					(111.9)
Share of profits less losses of associated companies	87.8	(1.8)	(0.1)	–	85.9
Profit before taxation					181.3
Taxation					(31.9)
Profit for the year from continuing operations					149.4
Profit for the year from a discontinued operation					18.8
Profit for the year					168.2
Assets and Liabilities					
Segment assets	–	1,796.1	122.7	42.3	1,961.1
Associated companies	140.7	1.4	26.8	–	168.9
Unallocated assets					38.7
Total assets					2,168.7
Segment liabilities	–	229.6	104.7	55.2	389.5
Unallocated liabilities					1,188.1
Total liabilities					1,577.6
Other Information					
Capital expenditure	–	101.6	3.5	–	105.1
Depreciation and amortization	–	53.7	0.9	–	54.6
Foreign exchange and derivative losses, net	–	33.1	0.3	–	33.4
Other non-cash expenses	–	1.4	9.2	7.4	18.0

By Principal Geographical Market – 2004

US\$ millions	The Philippines	Indonesia	Head Office	2004 (Restated) Total
Segment revenue – turnover	58.8	1,995.8	–	2,054.6
Segment assets	122.7	1,796.1	42.3	1,961.1
Associated companies	167.5	1.4	–	168.9
Unallocated assets				38.7
Total assets				2,168.7
Capital expenditure	3.5	101.6	–	105.1

5. Net Borrowing Costs

US\$ millions	2005	2004
Bank loans and other loans		
– wholly repayable within five years	113.0	122.1
– not wholly repayable within five years	2.2	4.5
Total Borrowing Costs	115.2	126.6
Less interest income	(7.9)	(14.7)
Net Borrowing Costs	107.3	111.9

6. Profit Before Taxation

US\$ millions	Notes	2005	2004 (Restated)
Profit Before Taxation is Stated after (Charging)/Crediting			
Cost of inventories sold		(1,182.1)	(1,201.5)
Employee remuneration	35(A)	(198.6)	(193.7)
Depreciation	12	(62.6)	(53.1)
Foreign exchange and derivative losses, net		(42.0)	(33.4)
Cost of services rendered		(52.7)	(31.9)
Operating lease rentals			
– Land and buildings		(11.8)	(12.7)
– Hire of plant and equipment		(0.8)	(1.6)
– Others		–	(6.0)
Loss on dilution of interests in a subsidiary and an associated company		(6.3)	(3.0)
Recognition of prepaid land premiums		(4.2)	(2.2)
Doubtful debt provisions (included in distribution costs)		(4.8)	(1.4)
Auditors' remuneration			
– Audit services		(1.2)	(1.4)
– Other services		(0.6)	(0.1)
Amortization of goodwill (included in other operating expenses, net)	17	–	(1.5)
Gain on divestments, net		–	11.0
Unrealized gains on available-for-sale assets/investments		–	2.2
(Loss)/gain on sale of property and equipment		(0.7)	1.8
Gain on changes in fair value of plantations	13	12.3	1.7
Realized gain/(loss) on sale of available-for-sale assets/investments		5.6	(3.3)
Excess over the cost of a business combination recognized as income (included in other operating expenses, net)		2.7	–
Dividend income from available-for-sale assets/investments		1.0	–

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7. Taxation

No Hong Kong profits tax (2004: Nil) has been provided as the Group had no estimated assessable profits (2004: Nil) 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	2005	2004 (Restated)
Subsidiary Companies – Overseas		
Current taxation (Note 27)	28.9	30.6
Deferred taxation (Note 20)	(2.3)	1.3
Total	26.6	31.9

Included within the share of profits less losses of associated companies is taxation of US\$19.2 million (2004 restated: US\$22.4 million) and which is analyzed as follows.

US\$ millions	2005	2004 (Restated)
Associated Companies – Overseas		
Current taxation	38.5	31.7
Deferred taxation	(19.3)	(9.3)
Total	19.2	22.4

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

US\$ millions	2005		2004 (Restated)	
		%		%
Profit Before Taxation (Including profit from a discontinued operation)	165.4		200.1	
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	73.7	44.6	70.4	35.2
Tax effect of:				
– Non-deductible expenses	2.7	1.6	0.1	–
– Share of profits less losses of associated companies	(51.8)	(31.3)	(34.9)	(17.4)
– Income not subject to tax	(0.1)	(0.1)	(6.4)	(3.2)
– Others	2.1	1.3	2.7	1.3
Taxation	26.6	16.1	31.9	15.9
Attributable To:				
Continuing operations	26.6	16.1	31.9	15.9
A discontinued operation	–	–	–	–
	26.6	16.1	31.9	15.9

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8. Profit for the Year from a Discontinued Operation

2004's profit from a discontinued operation represents a US\$17.1 million gain on disposal of the Group's entire 49 per cent interest in Escotel (a company operating in India) and US\$1.7 million share of Escotel's profit prior to its disposal.

9. Profit Attributable to Equity Holders of the Parent

Profit attributable to equity holders of the parent includes US\$18.5 million (2004: US\$15.9 million) net foreign exchange and derivative losses that arose primarily on the changes in the fair values of derivatives and translation of the unhedged foreign currency denominated borrowings, and US\$4.3 million (2004: US\$23.0 million) of net non-recurring gains.

Analysis of Foreign Exchange and Derivative Losses

US\$ millions	2005	2004
Foreign exchange and derivative (losses)/gains		
– Subsidiary companies	(42.0)	(33.4)
– Associated companies	19.0	(5.4)
Subtotal	(23.0)	(38.8)
Attributable to taxation and minority interest	4.5	22.9
Total	(18.5)	(15.9)

The net non-recurring gains for 2005 mainly comprise goodwill compensation received by Indofood in connection with the establishment of a joint venture entity of US\$4.8 million, Metro Pacific's agreed one-time adjustments made to amounts owed to certain creditors, partly offset by a loss on dilution of the Group's 1.4 per cent interest in PLDT of US\$6.3 million, whereas 2004's net non-recurring gains mainly comprise a gain on disposal of 49 per cent interest in Escotel (US\$17.1 million).

Included within the profit attributable to equity holders of the parent for the year ended 31 December 2005 is a profit of US\$350.8 million (2004 restated: US\$130.3 million) attributable to the Company representing principally the Company's reversal of impairment provision for values of subsidiary companies holding investments in PLDT.

10. Ordinary Share Dividends

	U.S. cent per ordinary share		US\$ millions	
	2005	2004	2005	2004
Interim	0.13	–	4.1	–
Proposed final	0.26	–	8.2	–
Total	0.39	–	12.3	–

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

11. Earnings Per Share

The calculation of basic earnings per share amount is based on the profit for the year attributable to equity holders of the parent of US\$103.0 million (2004 restated: US\$123.9 million), and the weighted average number of 3,186.7 million (2004: 3,186.0 million) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount is based on: (i) a profit equal to the profit for the year attributable to equity holders of the parent of US\$103.0 million (2004 restated: US\$123.9 million) adjusted by the US\$1.2 million (2004: Nil) reduction in share of profits less losses of associated companies assuming (a) the exercise of the Company's option of increasing its interest in Level Up and (b) the conversion of dilutive convertible preference shares and share options issued by PLDT, and (ii) a share base equal to the aggregate of the weighted average number of ordinary shares of 3,186.7 million (2004: 3,186.0 million) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 28.4 million (2004 restated: Nil) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the year.

Since the earnings per share amount will be increased when taking into account the Exchangeable Notes issued by a wholly-owned subsidiary of the Company, the Exchangeable Notes has an anti-dilutive effect on the basic earnings per share for the year and are excluded from in the calculation of diluted earnings per share.

12. Property and Equipment

US\$ millions	Land and buildings	Machinery, equipment and vessels	Consolidated Total
Cost			
At 1 January 2005	240.4	768.1	1,008.5
Exchange translation	(8.1)	(30.4)	(38.5)
Additions	17.0	39.6	56.6
Acquisition of subsidiary companies (Note 33(D))	2.7	–	2.7
Disposals	(6.0)	(15.0)	(21.0)
Reclassification	–	3.6	3.6
At 31 December 2005	246.0	765.9	1,011.9
Accumulated Depreciation and Impairment			
At 1 January 2005	54.6	306.5	361.1
Exchange translation	(1.9)	(9.4)	(11.3)
Charge for the year	11.0	51.6	62.6
Disposals	(0.7)	(12.5)	(13.2)
Reclassification	–	(10.2)	(10.2)
At 31 December 2005	63.0	326.0	389.0
Net Book Amount at 31 December 2005	183.0	439.9	622.9

US\$ millions	Land and buildings	Machinery, equipment and vessels	Consolidated Total (Restated)
Cost			
At 1 January 2004	238.1	775.2	1,013.3
Exchange translation	(18.6)	(59.6)	(78.2)
Additions	16.9	44.0	60.9
Acquisition of subsidiary companies (Note 33(D))	8.6	12.2	20.8
Disposals	(4.6)	(3.7)	(8.3)
At 31 December 2004	240.4	768.1	1,008.5
Accumulated Depreciation and Impairment			
At 1 January 2004	49.6	291.9	341.5
Exchange translation	(4.4)	(26.9)	(31.3)
Charge for the year	9.5	43.6	53.1
Disposals	(0.1)	(2.1)	(2.2)
At 31 December 2004	54.6	306.5	361.1
Net Book Amount at 31 December 2004	185.8	461.6	647.4

- (A) Principal annual rates of depreciation:
- | | | |
|----------------------------------|-------------------------------|---------------|
| Freehold land | | Nil |
| Freehold buildings | | 2.5% to 20.0% |
| Leasehold buildings | Lesser of period of lease, or | 2.5% to 20.0% |
| Machinery, equipment and vessels | | 2.5% to 50.0% |
- (B) The land and buildings are freehold and leasehold properties held outside Hong Kong.
- (C) Property and equipment with a net book amount of US\$29.4 million (2004: US\$23.4 million) were pledged as security for certain of the Group's banking facilities (Note 26(D)).

13. Plantations

US\$ millions	Consolidated	
	2005	2004
At 1 January	147.4	160.0
Exchange translation	(8.8)	(14.3)
Acquisition of subsidiary companies (Note 33(D))	18.1	–
Gain arising from changes in fair value less estimated point-of-sale costs, net	12.3	1.7
At 31 December	169.0	147.4

Physical measurements of oil palm plantations at 31 December are as follows:

Hectares	Consolidated	
	2005	2004
Mature plantations	58,064	53,542
Immature plantations	3,344	898
Total	61,408	54,440

The Group's plantations mainly represent palm trees owned by Indofood. The palm trees are planted for the production of fresh fruit bunches (FFB), which are used in the production of crude palm oil (CPO) and palm kernel oil (PKO). The fair value of plantations was determined by reference to the projected selling prices of CPO and PKO in the market. Significant assumptions made in determining the fair value of the plantations are:

- (A) No new planting/re-planting activities are assumed.
- (B) The palm trees have an average life of 23 years, with the first three years as immature and the following 20 years as mature or productive under a well established planting system.
- (C) The yield per hectare of palm trees is based on guidelines from the Centre for Palm Tree Research in Indonesia which varies with the average age of palm trees.
- (D) A discount rate of 20.5 per cent (2004: 21.7 per cent), which represents the asset specific rate for Indofood's plantation operation, was applied in the discounted cash flow calculation.

During 2005, Indofood's palm trees produced 1.3 million tons (2004: 1.4 million tons) of FFB. The fair value of FFB harvested during 2005, determined at the point of harvest, amounted to US\$91.3 million (2004: US\$112.8 million).

14. Subsidiary Companies

US\$ millions	Company	
	2005	2004
Unlisted shares at cost	1,115.2	1,115.6
Less provision for impairment	(368.4)	(421.4)
Total	746.8	694.2

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

- (A) Amounts due from subsidiary companies are unsecured, interest-bearing at a range of zero per cent to 7.0 per cent per annum (2004: zero per cent to 5.0 per cent per annum) and not repayable within one year. The carrying value of the Company's amounts due from subsidiary companies approximates to their fair values.
- (B) Amounts due to subsidiary companies are unsecured, interest-bearing at a range of zero per cent to 8.4 per cent per annum (2004: zero per cent to 8.4 per cent per annum) and not repayable within one year.
- (C) Details of principal subsidiary companies 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) Metro Pacific group contributes to the Group's property and transportation business segment (refer to Note 4). Since the fourth quarter of 2001, it has been unable to meet its debt repayment obligations. Metro Pacific's ability to continue as a going concern is dependent on a number of factors, which includes its ability to settle or restructure its debt obligations, the availability of refinancing of debts and the success of its plan to revitalize its business and generate sufficient cash flows to ensure sustained and profitable operations. Metro Pacific had successfully reduced its parent company's debt obligations to Pesos 732 million (US\$13.8 million) at 31 December 2005 from Pesos 11.7 billion (US\$220.4 million) at 31 December 2001 when the debt reduction program was commenced. Out of the Pesos 732 million (US\$13.8 million) outstanding debts at 31 December 2005, Pesos 525 million (US\$9.9 million) are presently subject to final documentation and Metro Pacific expects that this Pesos 525 million (US\$9.9 million) amount will be settled before the close of 2006.

Nenaco, a 99.0 per cent-owned subsidiary company of Metro Pacific, obtained approval for its corporate rehabilitation plan from the Manila Regional Trial Court on 4 October 2004. With the approval of the corporate rehabilitation plan, Nenaco will focus on enhancing its profitability by strengthening its marketing efforts and operational efficiencies.

15. Associated Companies

US\$ millions	Consolidated	
	2005	2004 (Restated)
Shares at cost		
– Listed	1,324.6	1,266.7
– Unlisted	44.1	22.0
Share of post acquisition reserves	(987.7)	(1,132.1)
Loans to associated companies	0.7	12.3
Total	381.7	168.9

- (A) At 31 December 2005, both the listed and unlisted investments were located outside Hong Kong.
- (B) At 31 December 2005, the market valuation of listed investments was US\$1,495.4 million (2004: US\$1,002.7 million) and net dividends received and receivable were US\$38.9 million (2004: Nil).
- (C) Loans to associated companies are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the loans to associated companies approximates to their fair values.
- (D) Details of the Group's principal associated companies 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.
- (E) Additional financial information in respect of the Group's principal associated company, PLDT, as prepared under HK GAAP, is set out below.

US\$ millions	PLDT	
	2005	2004 (Restated)
Operating Results		
Turnover	2,201.3	2,053.7
Profit before taxation	790.4	484.7
Profit after taxation	788.3	392.6
Net profit	580.9	393.9
Net Assets		
Current assets	952.4	834.7
Long-term assets	3,793.9	4,228.5
Total Assets	4,746.3	5,063.2
Current liabilities	(1,067.5)	(1,016.8)
Long-term liabilities and provisions	(2,369.3)	(3,200.6)
Total Liabilities	(3,436.8)	(4,217.4)
Minority interest	(21.9)	(16.1)
Net assets at 31 December	1,287.6	829.7

- (F) PLDT was incorporated under the law 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 2028. Under its amended charter, which became effective on 24 August 1991, PLDT is authorized to provide virtually every type of telecommunications 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.
- (G) The Group has discontinued the recognition of its share of losses of Prime Media Holdings, Inc. because the share of losses of this associated company fully eroded the Group's investment. The Group's unrecognized share of losses of this associated company for the current year and cumulatively was nil (2004: US\$0.1 million) and US\$7.9 million (2004: US\$7.9 million), respectively.

16. Accounts Receivable, Other Receivables and Prepayments

US\$ millions	Consolidated	
	2005	2004
Trade receivables	173.3	170.3
Other receivables	107.9	184.9
Prepayments	17.2	14.0
Total	298.4	369.2
Presented As:		
Non-current Portion	11.7	9.2
Current Portion	286.7	360.0
Total	298.4	369.2

The carrying amount of the current portion of accounts receivable, other receivables and prepayments approximates to their fair value. The fair value of non-current portion of accounts receivables, other receivables and prepayments is US\$9.8 million (2004: US\$9.2 million) which is determined based on cash flows discounted using a weighted average prevailing interest rate of 13.4 per cent (2004: 11.3 per cent). The weighted average effective interest rate of non-current portion of accounts receivable, other receivables and prepayments is 8.8 per cent (2004: 11.3 per cent).

An ageing profile of trade receivables is analyzed as follows:

US\$ millions	Consolidated	
	2005	2004
0 to 30 days	148.5	145.5
31 to 60 days	8.8	6.0
61 to 90 days	6.0	12.2
Over 90 days	10.0	6.6
Total	173.3	170.3

As the Group's trade receivables relate to a large number of diversified customers, there is no concentration of credit risk.

Indofood allows export customers 60 days of credit and local customers an average of 30 days of credit. Metro Pacific collects contract receivables related to property sales by installments over periods ranging between one to five years.

17. Goodwill

US\$ millions	Consolidated	
	2005	2004
Cost		
At 1 January		
As previously reported	39.4	19.7
Effect of adopting HKFRS 3 (Note 2(E)(k)(III))	(2.9)	–
As restated	36.5	19.7
Exchange translation	(1.7)	–
Additions		
– on acquisition of subsidiary companies (Note 33(D))	4.4	6.9
– balance of subsidiary companies acquired	–	2.1
– on increased investments in subsidiary companies	–	10.7
Reclassifications	(6.5)	–
At 31 December	32.7	39.4
Accumulated Amortization		
At 1 January		
As previously reported	2.9	1.4
Effect of adopting HKFRS 3 (Note 2(E)(k)(III))	(2.9)	–
As restated	–	1.4
Charge for the year	–	1.5
At 31 December	–	2.9
Net Book Amount at 31 December	32.7	36.5

- (A) In 2004, goodwill not previously eliminated against the consolidated reserves was amortized on the straight-line basis over its estimated useful life of not more than 20 years.
- (B) Goodwill is allocated to the Group's cash-generating units identified according to business and country of operation segment. All of the goodwill amounts at 31 December 2005 and 31 December 2004 relates to Indofood's businesses which contribute to the Group's consumer food products business segment located in Indonesia.
- (C) The recoverable amounts of Indofood's businesses have been determined based on a value in use calculation using cash flow projections based on financial projections approved by Indofood's senior management covering a five-year period. The discount rates applied to cash flow projections ranges from 15.3 per cent to 18.3 per cent.

18. Prepaid Land Premiums

US\$ millions	Consolidated	
	2005	2004 (Restated)
At 1 January		
As previously reported	-	-
Effect of adopting HKAS 17 (Note 2(B))	45.5	47.8
As restated	45.5	47.8
Exchange translation	(4.0)	(3.8)
Additions	-	3.7
Recognized during the year	(4.2)	(2.2)
Total prepaid land premiums	37.3	45.5
Current portion included in accounts receivable, other receivables and prepayments	(2.8)	(4.5)
At 31 December	34.5	41.0
US\$ millions	2005	2004
Overseas, Held on:		
Leases of between 10 and 50 years	32.3	44.2
Leases of less than 10 years	5.0	1.3
	37.3	45.5

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19. Available-for-sale Assets/Investments

US\$ millions	Consolidated	
	2005	2004 (Restated)
Listed investments, at fair value:		
– Equity investments – Overseas	47.5	19.6
– Debentures with a fixed interest of 14.0 per cent (2004: 14.0 per cent) and a maturity date of 1 October 2014 (2004: 1 October 2014) – Overseas	0.5	1.8
Unlisted investment, at cost less impairment provisions:		
– Equity investment – Overseas	6.1	11.5
Unlisted investment, at fair value:		
– Club debentures – Hong Kong	1.0	-
Total	55.1	32.9
Presented As:		
Non-current Portion	2.7	11.5
Current Portion	52.4	21.4
Total	55.1	32.9

- (A) The fair values of listed equity investments and debentures are based on quoted market prices. The fair values of unlisted investment in club debentures have 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 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 balance sheet date.
- (B) Unlisted equity investments with carrying amounts of US\$3.2 million (2004: US\$9.8 million) was pledged to secure certain of the Group's banking facilities.

20. Deferred Tax

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

US\$ millions	Tax losses carried forward	Allowance for doubtful accounts	Others	Consolidated Total
Deferred Tax Assets				
At 1 January 2005	3.7	0.9	1.2	5.8
Exchange translation	(0.2)	–	–	(0.2)
Acquisition of subsidiary companies (Note 33(D))	0.1	–	1.2	1.3
Credit to the profit and loss (Note 7)	0.6	0.3	6.1	7.0
Transfer to provision for taxation (Note 27)	–	–	(1.1)	(1.1)
Reclassification	–	–	2.6	2.6
At 31 December 2005	4.2	1.2	10.0	15.4

US\$ millions	Tax losses carried forward	Allowance for doubtful accounts	Others	Consolidated Total (Restated)
Deferred Tax Assets				
At 1 January 2004	6.2	0.9	0.4	7.5
Exchange translation	(0.5)	(0.1)	(1.6)	(2.2)
(Charge)/credit to the profit and loss (Note 7)	(2.0)	0.1	0.7	(1.2)
Transfer to provision for taxation (Note 27)	–	–	(0.3)	(0.3)
Reclassification	–	–	2.0	2.0
At 31 December 2004	3.7	0.9	1.2	5.8

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

US\$ millions	Depreciation of property and equipment	Change in fair value of plantations	Withholding tax on undistributed earnings of subsidiary and associated companies	Others	Consolidated Total
Deferred Tax Liabilities					
At 1 January 2005	(78.5)	(38.4)	(4.1)	9.2	(111.8)
Exchange translation	4.3	2.1	–	1.5	7.9
Acquisition of subsidiary companies (Note 33(D))	–	–	–	(3.7)	(3.7)
(Charge)/credit to the profit and loss (Note 7)	(4.8)	(3.8)	1.0	2.9	(4.7)
Transfer to/(from) provision for taxation (Note 27)	–	–	1.4	(0.6)	0.8
Reclassification	–	–	–	(2.6)	(2.6)
At 31 December 2005	(79.0)	(40.1)	(1.7)	6.7	(114.1)

US\$ millions	Depreciation of property and equipment	Change in fair value of plantations	Withholding tax on undistributed earnings of subsidiary and associated companies	Others	Consolidated Total (Restated)
Deferred Tax Liabilities					
At 1 January 2004	(76.2)	(41.9)	(9.3)	8.1	(119.3)
Exchange translation	7.0	3.7	–	(1.0)	9.7
Acquisition of subsidiary companies	–	–	–	(3.4)	(3.4)
Increased investments in subsidiary companies	–	–	–	(0.9)	(0.9)
(Charge)/credit to the profit and loss (Note 7)	(9.3)	(0.2)	4.5	4.9	(0.1)
Transfer to provision for taxation (Note 27)	–	–	0.7	3.5	4.2
Reclassification	–	–	–	(2.0)	(2.0)
At 31 December 2004	(78.5)	(38.4)	(4.1)	9.2	(111.8)

At 31 December 2005, tax losses available to reduce future income tax, arising in the entities to which they relate, amounted to US\$55.0 million (2004: US\$73.9 million) in respect of non-Hong Kong tax losses, and US\$39.1 million (2004: US\$40.7 million) in respect of Hong Kong tax losses. The non-Hong Kong tax losses are available for offsetting against future taxable profits of the companies in which the losses arose for 3 to 5 years, whereas Hong Kong tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax assets have been recognized in respect of these losses as they have arisen in subsidiary companies that have been loss-making for some time. Except for this, deferred tax assets have been properly recognized.

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

21. Other Non-current Assets

US\$ millions	Consolidated	
	2005	2004
Assets not yet used in operation	36.4	42.0
Claims for tax refund	42.2	34.3
Deferred charges	22.1	15.6
Advances and deposits for purchases	4.2	14.6
Currency swap assets, net	–	130.1
Others	25.9	5.8
Total	130.8	242.4

Assets not yet used in operation represents certain of Indofood's properties which have been acquired but not yet used in operation.

Claims for tax refund relates to advance tax payment made by Indofood in respect of wheat importation which is creditable against Indofood's corporate income tax payable.

Deferred changes mainly represents deferred costs and expenses relating to Indofood's arrangements for the lease of land.

Advances and deposits for purchases mainly relates to Indofood's payments made to suppliers and contractors in relation to the purchase of raw materials and capital equipments.

The balance of currency swap assets (net) at 31 December 2004 relates to Indofood's hedging program. The amount was derecognized in March and April 2005 upon Indofood's termination of the related currency swap contracts.

22. Cash and Cash Equivalents

US\$ millions	Consolidated		Company	
	2005	2004	2005	2004
Cash at banks and in hand	133.2	186.6	26.4	27.0
Short-term time deposits	162.8	–	162.8	–
Total	296.0	186.6	189.2	27.0

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

23. Inventories

US\$ millions	Consolidated	
	2005	2004
Raw materials	177.2	159.3
Work in progress	5.6	6.1
Finished goods	91.0	81.0
Properties held for sale	29.2	35.0
Total	303.0	281.4

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(A) Principal properties held by Metro Pacific group for sale, included in properties held for sale, at 31 December 2005 are as follows:

Location	Group's Economic interest (%)	Approximate gross development area (sq.m.) ⁽ⁱ⁾	Type	Status	Estimated completion date
Laguna (Escudero)	23.4	4,000,000	F	Planning	–
Costa de Madera, San Juan, Batangas	34.7	3,720,000	R, Ro	Planning	–
Lakewood, Cabanatuan	5.3	3,036,358	R	Under construction	2007
Batulao, Batangas	75.5	2,107,050	R	Planning	–
Calasiao, Pangasinan	31.0	1,860,000	R	Planning	–
Calatagan, Batangas	23.4	618,217	R, Ro	Under construction	2011
Lemery, Batangas	38.5	604,643	F	Under construction	2006
Punta Fuego 1, Batangas	21.2	452,603	R, Ro	Under construction	2006
San Pablo, Laguna (Monte Lago)	23.4	330,000	R	Under construction	2009
Stonecrest, San Pedro, Laguna	19.6	297,821	R	Under construction	2006
Talisay, Cebu	18.9	274,591	R	Under construction	2006
Urdaneta, Pangasinan	6.0	254,804	R	Under construction	2007
Punta Fuego 2, Batangas	13.6	236,927	R, Ro	Under construction	2006
Silang, Cavite (Ponderosa)	22.7	185,064	F	Under construction	2006
Nasugbo, Batangas (Lhuiller)	13.6	145,000	R, Ro	Under construction	2008
Waterwood, Bulacan	25.7	59,071	R	Under construction	2006
Lucena City, Quezon	62.7	40,706	R	Completed	–
Legaspi City, Albay	18.9	36,505	C	Under construction	2008
Nasugbu, Batangas (Amara Condo)	23.4	11,210	H	Under construction	2008
Punta Fuego 2 – expansion, Batangas	13.6	430	F	Under construction	2006

R = Residential, F = Farm, Ro = Resort, C = Commercial, H = Hotel

(i) Total area for sale as subdivisions and land designated for parks and open spaces.

(B) At 31 December 2005, inventories with a carrying amount of US\$12.6 million (2004: US\$11.6 million) have been pledged as security for certain of the Group's liabilities.

24. Non-current Assets Held for Sale

The amount represents two of the vessels held by Nenaco planned to be sold in 2006.

25. Accounts Payable, Other Payables and Accruals

US\$ millions	Consolidated	
	2005	2004
Trade payables	172.7	145.1
Accrued expenses	44.8	49.7
Other payables	61.1	69.5
	278.6	264.3

An ageing profile of trade payables is analyzed as follows:

US\$ millions	Consolidated	
	2005	2004
0 to 30 days	160.8	121.2
31 to 60 days	1.7	7.4
61 to 90 days	1.3	5.6
Over 90 days	8.9	10.9
Total	172.7	145.1

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

26. Borrowings

US\$ millions	Effective interest rate (%)	Maturity	Notes	Consolidated	
				2005	2004
Short-term					
Bank loans	8.9 – 18.0	2006		221.3	172.1
Other loans	2.5 – 13.5	2006	(A)	123.7	116.8
Subtotal				345.0	288.9
Long-term					
Bank loans	8.0 – 18.0	2007 – 2012	(B)	57.9	91.0
Other loans	2.5 – 13.5	2007 – 2010	(C)	686.3	670.2
Subtotal				744.2	761.2
Total				1,089.2	1,050.1

The balance of short-term borrowings includes US\$124.0 million (2004: US\$154.7 million) of current portion of long-term borrowings.

The maturity profile of the Group's borrowings is as follows:

US\$ millions	Bank loans		Other loans		Consolidated	
	2005	2004	2005	2004	Total 2005	Total 2004
Not exceeding one year	221.3	172.1	123.7	116.8	345.0	288.9
More than one year but not exceeding two years	0.5	67.0	151.8	115.8	152.3	182.8
More than two years but not exceeding five years	1.7	15.8	516.9	545.5	518.6	561.3
More than five years	55.7	8.2	17.6	8.9	73.3	17.1
Total	279.2	263.1	810.0	787.0	1,089.2	1,050.1
Representing amounts repayable						
– wholly within five years	223.5	254.9	792.4	778.1	1,015.9	1,033.0
– not wholly within five years	55.7	8.2	17.6	8.9	73.3	17.1
Total	279.2	263.1	810.0	787.0	1,089.2	1,050.1

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

US\$ millions	Consolidated	
	2005	2004
Rupiah	542.8	534.7
U.S. dollar	501.7	465.3
Peso	44.7	50.1
Total	1,089.2	1,050.1

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

US\$ millions	Consolidated	
	2005	2004
Fixed interest rate	703.4	830.0
Variable interest rate	385.8	220.1
Total	1,089.2	1,050.1

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

US\$ millions	Carrying amounts		Fair values	
	2005	2004	2005	2004
Bank loans	57.9	91.0	60.6	90.3
Other loans	686.3	670.2	724.1	694.8
Total	744.2	761.2	784.7	785.1

The fair values are based on published price quotations for listed notes and bonds issued by the Group and projected cash flows discounted using the borrowings rates ranging from 8.0 per cent to 12.5 per cent (2004: 7.2 per cent to 15.7 per cent) 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 short-term borrowings approximate to their fair value.

Details of borrowings are set out below.

(A) Short-term Other Loans

The balance includes US\$107.3 million of bonds (2004: US\$112.6 million) (with a face value of US\$108.0 million (2004: US\$113.0 million)) issued by CAB Holdings Limited (CAB), a wholly-owned subsidiary company of the Company. These bonds were issued by CAB, on 29 July 2003, totaling US\$115.0 million, bear interest at 8.25 per cent payable semi-annually in arrears, mature on 29 July 2006 at their aggregate principal amount and are secured by the Group's 51.5 per cent (2004: 51.5 per cent) interest in Indofood held by CAB and, subject to certain limitations and conditions, are guaranteed by the Company. During 2003, one of the Company's wholly-owned subsidiary companies repurchased US\$2.0 million face value of the bonds, which were then canceled in 2004. During 2005, CAB repurchased US\$5.0 million face value of the bonds at 102.875 per cent of its face value and canceled them during the year.

(B) Long-term Bank Loans

The balance includes a US\$49.3 million (with a face value of US\$50.0 million) bank loan (2004: Nil) secured by the Group's 1.7 per cent interest in PLDT, subject to a variable LIBOR (London Inter-bank Offer Rates) based interest rate, which is repayable in November 2012.

(C) Long-term Other Loans

The balance principally includes US\$193.1 million (with a face value of US\$199.0 million) Exchangeable Notes (2004: Nil) issued by First Pacific Finance Limited (FPF), a wholly-owned subsidiary company of the Company, and various bonds issued by Indofood.

(a) Details of the Exchangeable Notes issued by FPF are summarized as follows:

On 18 January 2005, the Company issued US\$199.0 million five-year zero coupon Exchangeable Notes through FPF. The Exchangeable Notes are unsecured obligations of FPF and are unconditionally and irrevocably guaranteed by the Company.

The Exchangeable Notes have a yield to maturity of 5.625 per cent per annum. Unless previously redeemed, exchanged, or purchased and cancelled, FPF will redeem the Exchangeable Notes at 131.97 per cent of their principal amount on 18 January 2010. Noteholders have the option to put the Exchangeable Notes to FPF at 118.11 per cent of their principal amount value on the third anniversary of the Exchangeable Notes.

The Exchangeable Notes carry an initial conversion premium of 21 per cent, which translates the conversion price into US\$29.33 per PLDT share. Assuming full exchange of the Exchangeable Notes, the Exchangeable Notes will be exchangeable into approximately 3.8 per cent of the total common shares issued by PLDT.

(b) Details of the bonds issued by Indofood are summarized as follows:

- (I) US\$151.7 million five-year Eurobonds (with a face value of US\$153.7 million, which represents the original amount issued in June 2002 of US\$280.0 million less repurchase of the bonds with a face value of US\$126.3 million made during 2005) (2004: US\$278.6 million), with a coupon rate of 10.375 per cent, payable semi-annually, and mature in June 2007;
- (II) Rupiah 1.2 trillion (US\$123.4 million) of Rupiah bonds (which represents the original amount issued in June 2003 of Rupiah 1.5 trillion (US\$152.6 million) less repurchase of the bonds with a face value of Rupiah 0.3 trillion (US\$30.3 million) during 2005) (2004: US\$161.5 million), with a coupon rate of 13.5 per cent, payable quarterly, and mature in June 2008; and
- (III) Rupiah 1.0 trillion (US\$98.8 million) of Rupiah bonds (which represents the original amount issued in July 2004 of Rupiah 1.0 trillion (US\$101.7 million) less repurchase of the bonds with a face value of Rupiah 24 billion (US\$2.4 million) during 2005) (2004: US\$107.6 million), with a coupon rate of 12.5 per cent, payable quarterly, and mature in July 2009.

(D) Pledge of Assets

At 31 December 2005, total borrowings include secured bank and other borrowings of US\$187.5 million (2004: US\$182.2 million). Such bank and other borrowings were secured by the Group's property and equipment, available-for-sale assets/investments and inventories equating to a net book value of US\$45.2 million (2004: US\$44.8 million) and the Group's interests of 51.5 per cent (2004: 51.5 per cent) in Indofood and 1.7 per cent (2004: 3.2 per cent) in PLDT, respectively.

27. Provision for Taxation

US\$ millions	Consolidated	
	2005	2004
At 1 January	26.2	36.8
Exchange translation	(1.2)	(4.2)
Acquisition of subsidiary companies	-	0.6
Provision for taxation on estimated assessable profits for the year (Note 7)	28.9	30.6
Transfer (to)/from deferred taxation (Note 20)	(0.3)	3.9
Total	53.6	67.7
Tax paid	(42.4)	(41.5)
At 31 December	11.2	26.2

28. Deferred Liabilities and Provisions

US\$ millions	Pension	Deferred income	Long-term payables	Others	Consolidated	
					Total 2005	Total 2004 (Restated)
At 1 January	40.9	28.3	39.6	16.4	125.2	129.6
Exchange translation	(2.1)	0.1	1.4	0.1	(0.5)	(5.1)
Additions	22.5	0.1	5.2	3.1	30.9	9.4
Payment and utilization	(10.1)	(2.5)	(11.9)	(3.3)	(27.8)	(27.8)
Reclassification	-	-	(19.8)	-	(19.8)	19.1
At 31 December	51.2	26.0	14.5	16.3	108.0	125.2
Presented As:						
Current Portion	1.0	1.3	3.6	9.4	15.3	18.1
Non-current Portion	50.2	24.7	10.9	6.9	92.7	107.1
Total	51.2	26.0	14.5	16.3	108.0	125.2

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

Deferred income relates to an upfront service fee received by Asia Link B.V. (ALBV), a wholly-owned subsidiary company of the Company, from Smart Communications, Inc. (Smart), a wholly-owned subsidiary company of PLDT, in respect of their arrangement for service agreement (Note 37(D)) and the unrealized gross profit arising on property sales.

Long-term payables relate to Metro Pacific's estimated liabilities for property development and Indofood's accrued costs for dismantlement, removal or restoration in relation to property and equipment.

Others mainly relate to provisions for warranty claims.

29. Share Capital

US\$ millions	Consolidated and Company	
	2005	2004
Authorized 5,000,000,000 (2004: 5,000,000,000) ordinary shares of U.S. 1 cent each	50.0	50.0
Issued and fully paid 3,188,833,003 (2004: 3,185,993,003) ordinary shares of U.S. 1 cent each	31.9	31.9

During the year, 2,840,000 share options were exercised at the exercise price of HK\$1.76 per share, resulting in the issue of 2,840,000 new ordinary shares of U.S. 1 cent each for a total cash consideration of HK\$5.0 million (US\$0.6 million). Details of the Company's share option scheme are set out in Note 36(D) (a) to the Financial Statements.

30. Other Reserves

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

US\$ millions	Consolidated	
	2005	2004 (Restated)
PLDT	(29.3)	(50.4)
Indofood	(25.0)	(11.6)
Others	3.4	2.2
Total	(50.9)	(59.8)

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

US\$ millions	Consolidated	
	2005	2004 (Restated)
Revenue reserve	(962.4)	(1,081.7)
Exchange reserve	(29.3)	(50.4)
Unrealized gains on cash flow hedges	4.0	–
Total	(987.7)	(1,132.1)

The 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.

31. Minority Interest

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

US\$ millions	Consolidated	
	2005	2004 (Restated)
Indofood	296.1	335.6
Metro Pacific	27.8	28.1
Total	323.9	363.7

32. Derivative Liability

Derivative liability represents the fair value of the option embedded within the Exchangeable Notes issued by FPF. Details regarding the issue of the Exchangeable Notes is set out in Note 26(C)(a).

The exchangeable option of the Exchangeable Notes qualified as an embedded derivative under HKAS 39. Upon the initial recognition, the fair value of the option of US\$13.9 million is identified and accounted for separately from the fair value of the bond instrument. The fair value of the option liability was remeasured to US\$39.3 million on a mark-to-market basis at 31 December 2005, reflecting primarily the change in PLDT share price. The US\$25.4 million increase in fair value of the option during 2005 was recognized and charged to the profit and loss statement.

33. Notes to the Consolidated Cash Flow Statement

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(A) Increased Investments in Associated Companies

The cash outflows of US\$57.3 million mainly relates to the Group's increased interest in PLDT by approximately 1.1 per cent.

(B) Acquisition of Associated Companies

The cash outflows of US\$17.6 million mainly relates to the Group's acquisition of a 25.0 per cent interest in Level Up in March 2005 and an associated company formed by Indofood.

(C) Deposits for acquisition and increased investments in subsidiary companies

The cash outflows of US\$14.9 million mainly represent deposits made by PT Salim Ivomas Pratama (SIMP), a 80 per cent owned subsidiary company of Indofood, for the acquisition of convertible bonds issued by PT Sarana Inti Pratama, a palm breeding and research management company. 2004's cash outflow of US\$39.1 million represents Indofood's deposits, for acquiring convertible bonds issued by PT Bina Makna Indoprata (Bina Makna) and the acquisition of two oil palm plantation companies.

(D) Acquisition of Subsidiary Companies

US\$ millions	Indofood's acquisition of Silveron Investments Limited (SIL) and its subsidiary companies	Indofood's acquisition of PT Kebun Mandiri Sejahtera (KMS)	Others	2005 Total	2004 Indofood's acquisition of Perfect Wealth Investments Limited and its subsidiary company
Consideration					
Cash and cash equivalents	1.8	7.7	0.1	9.6	28.4
Accounts receivable, other receivables and prepayments (Current)	16.7	–	–	16.7	–
Total	18.5	7.7	0.1	26.3	28.4
Net Assets					
Property and equipment (Note 12)	1.7	0.7	0.3	2.7	20.8
Plantations (Note 13)	13.7	4.4	–	18.1	–
Goodwill	–	–	–	–	2.1
Deferred tax assets (Note 20)	0.6	0.7	–	1.3	0.7
Other non-current assets	1.9	–	–	1.9	–
Cash and cash equivalents	2.6	0.5	0.3	3.4	2.8
Accounts receivable, other receivables and prepayments (Current)	0.5	4.9	1.8	7.2	8.5
Inventories	0.1	0.3	0.8	1.2	5.8
Accounts payable, other payables and accruals	(0.8)	(0.3)	(3.1)	(4.2)	(6.4)
Short-term borrowings	(1.1)	–	–	(1.1)	(1.1)
Provision for taxation	–	–	–	–	(0.6)
Long-term borrowings	(1.4)	–	–	(1.4)	–
Deferred tax liabilities (Note 20)	(3.7)	–	–	(3.7)	(3.4)
Minority interest	–	(0.8)	–	(0.8)	(7.7)
Total Net Assets Acquired at Fair Value	14.1	10.4	0.1	24.6	21.5
Goodwill/(Excess over the Cost of a Business Combination) (Note 17)					
	4.4	(2.7)	–	1.7	6.9
Net Inflow/(Outflow) of Cash and Cash Equivalents per Consolidated Cash Flow Statement					
	0.8	(7.2)	0.2	(6.2)	25.6

In June 2005, SIMP completed the acquisition of 100 per cent interest in SIL at a consideration of Rupiah 175 billion (US\$18.5 million). SIL has 100 per cent direct and indirect equity interests in PT Kebun Ganda Prima and PT Citranusa Intisawit, respectively, which are both engaged in the operations of oil palm plantations in Indonesia.

In November 2005, SIMP acquired a 93.4 per cent interest in KMS, a rubber plantation company for a consideration of Rupiah 75 billion (US\$7.7 million).

Since the date of acquisitions, SIL incurred a loss for the year of US\$0.5 million and KMS had a profit for the year of US\$0.1 million, which was included in the profit and loss of the Group. If all of the above acquisitions had taken place on 1 January 2005, the turnover and profit for the year of the Group for the year ended 31 December 2005 would have been US\$1,987.8 million and US\$138.8 million, respectively. The subsidiary companies acquired during the year had net cash outflows from operating activities and investing activities, respectively, of US\$0.2 million and US\$3.3 million, and received US\$3.2 million in respect of financing activities during the year.

(E) Acquisition of Convertible Bonds

The cash outflows of US\$5.2 million represents the acquisition by SIMP of convertible bonds issued by PT Tahta Bahtera (TB), a shipping company. The bonds had been converted into a 90.9 per cent equity interest in TB by SIMP in January 2006.

(F) Increased Investments in Subsidiary Companies

The cash outflows of US\$4.9 million represent a remaining 20 per cent balance of payment (equivalent to Rupiah 48 billion) for Indofood's increased interest in four of its oils and distribution subsidiary companies, PT Bitung Menado Oil Industry, PT Intiboga Sejahtera, PT Sawitra Oil Grains and PT Indomarco Adi Prima, from approximately 80.0 per cent to 100 per cent through the acquisition and conversion of convertible bonds issued by Bina Makna and acquisition of the remaining minority interest of Bina Makna. In 2004, Indofood has made a 80 per cent deposit (equivalent to Rupiah 192 billion or US\$21.4 million) for this acquisition, which has been included in 2004's cash flow statement as deposits for acquisition and increased investments in subsidiary companies. 2004's cash outflow of US\$16.9 million principally represents payments made by Indofood for increasing its interest in a food seasonings subsidiary company, PT Indosentra Pelangi, from 70.0 per cent to 92.2 per cent.

(G) Restricted Cash

At 31 December 2005, the Group had US\$4.7 million (2004: US\$9.2 million) of cash which was restricted as to use. All of this US\$4.7 million (2004: US\$4.5 million) amount is expected to be released within one year from 31 December 2005 and required to be classified as current assets.

(H) Major Non-cash Transaction

During the year, Metro Pacific settled approximately Pesos 500 million (US\$9.1 million) of borrowings through the transfer of available-for-sale assets and other property assets to its creditors.

34. Commitments and Contingent Liabilities**(A) Capital Expenditure**

US\$ millions	Consolidated	
	2005	2004
Commitments in respect of subsidiary companies:		
Authorized, but not contracted for	15.1	19.1
Contracted, but not provided for	7.5	9.1
Total	22.6	28.2

The Group's capital expenditure commitments principally relate to Indofood's purchase of property, machinery and equipment.

The Company has no commitments in respect of capital expenditures (2004: Nil).

(B) Leasing Commitments

At 31 December 2005, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows.

US\$ millions	Consolidated	
	2005	2004
Land and Buildings		
– Within one year	3.5	2.1
– Between two and five years inclusive	9.8	7.0
– After five years	4.2	1.0
Subtotal	17.5	10.1
Hire of Plant and Equipment and Others		
– Within one year	0.5	0.5
– Between two and five years inclusive	1.0	1.3
– After five years	0.2	0.2
Subtotal	1.7	2.0
Total	19.2	12.1

At 31 December 2005, the Company did not have any leasing commitments (2004: Nil).

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(C) Contingent Liabilities

At 31 December 2005, neither the Group nor the Company had any significant contingent liabilities (2004: Nil).

35. Employee Information

(A) Remuneration

US\$ millions	2005	2004
		(Restated)
Basic salaries	142.1	141.2
Bonuses	23.4	19.4
Benefits in kind	19.5	21.0
Pension contributions	8.4	7.7
Equity-settled share option expense	5.2	4.4
Total	198.6	193.7
Average Number of Employees	47,881	48,110

The above includes the remuneration of the Directors. Detailed disclosures in respect of Directors' remuneration are set out in Note 36(A) to the Financial Statements.

(B) Retirement Benefits

The Group operates both defined contribution and defined benefit schemes covering approximately 22,001 (2004: 24,653) employees.

(a) Defined Contribution Schemes

The Group operates six (2004: six) defined contribution schemes covering approximately 20,686 (2004: 23,469) 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 zero per cent to 10 per cent (2004: zero per cent to 10 per cent). Under the terms of the schemes, the Group cannot be requested to make additional payments over and above these levels of contributions. In three (2004: three) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2005, no amounts (2004: Nil) were used for this purpose. At 31 December 2005, the forfeited contributions had been fully utilized.

(b) Defined Benefit Schemes

The Group operates four (2004: two) defined benefit schemes covering approximately 1,315 (2004: 1,184) employees. The assets of three 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 PT Jasa Aktuarial Praptasentosa Gunajasa's actuary (a member of the Fellow Society of Actuary of Indonesia and Expert in Life Insurance in Indonesia) and Actuarial Advisers, Inc. and Mr. Orlando J. Manalang, FASP (members of Actuarial 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 2005, the Group's level of funding in respect of its defined benefit schemes was 45.8 per cent (2004: 55.3 per cent).

The amount of deficit under defined benefit schemes included in the balance sheet is as follows:

US\$ millions	Consolidated	
	2005	2004
Present value of defined benefit obligations	11.0	9.0
Fair value of plan assets	(6.2)	(6.4)
Liability in Balance Sheet	4.8	2.6

The movements of defined benefit liability during the year are as follows:

US\$ millions	Consolidated	
	2005	2004
At 1 January	2.6	4.2
Exchange translation	(0.1)	(0.2)
Net pension scheme cost recognized in the profit and loss statement	3.5	1.0
Payment	(1.2)	(2.4)
At 31 December	4.8	2.6

The amount recognized in the profit and loss statement is analyzed as follows:

US\$ millions	Consolidated	
	2005	2004
Current service cost	0.4	0.4
Past service cost	3.5	0.5
Expected return on plan assets	(0.5)	(0.7)
Net actuarial losses recognized in the year	0.1	0.8
Total Included in Employee Remuneration (within Administrative expenses)	3.5	1.0
Actual Return on Plan Assets	8%	9%

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

	2005	2004
Discount rate	11%	9%
Expected return on plan assets	10%	9%
Future salary increases	7%	6%
Future pension increases	7%	6%
Average remaining working lives of employees (years)	12	12

(C) Loans to Officers

During 2005 and 2004, there were no loans made by the Group to officers which require disclosure pursuant to Section 161B of the Hong Kong Companies Ordinance.

36. Director and Senior Executive Remuneration

(A) Directors' Remuneration

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

Directors' Remuneration – 2005

US\$'000	Non-performance based			Performance based payments ⁽ⁱ⁾	Equity-settled share option expense	Fees ⁽ⁱⁱ⁾	Emoluments ⁽ⁱⁱⁱ⁾	2005 Total
	Salaries	Other benefits	Pension contributions					
Chairman								
Anthoni Salim	435	-	-	-	-	-	-	435
Executive Directors								
Manuel V. Pangjilinan (<i>Managing Director and Chief Executive Officer</i>)	1,467	210	91	1,008	1,224	-	-	4,000
Edward A. Tortorici	900	195	1,164	-	1,224	-	-	3,483
Robert C. Nicholson	933	21	2	467	941	-	-	2,364
Non-Executive Directors								
His Excellency Albert F. del Rosario	-	-	-	-	119	25	-	144
Sutanto Djuhar	-	-	-	-	-	-	-	-
Tedy Djuhar	-	-	-	-	-	-	-	-
Ibrahim Risjad	-	-	-	-	-	-	-	-
Benny S. Santoso	-	-	-	-	119	-	-	119
Independent Non-Executive Directors								
Graham L. Pickles	-	-	-	-	119	65	-	184
Edward K.Y. Chen (<i>GBS, CBE, JP</i>)	-	-	-	-	119	55	-	174
David W.C. Tang (<i>OBE, Chevalier de L'Ordre des Arts et des Lettres</i>)	-	-	-	-	119	30	77	226
Total	3,735	426	1,257	1,475	3,984	175	77	11,129

Directors' Remuneration – 2004

US\$'000	Non-performance based			Performance based payments ⁽ⁱ⁾	Equity-settled share option expense	Fees ⁽ⁱⁱ⁾	Emoluments ⁽ⁱⁱⁱ⁾	2004 (Restated) Total
	Salaries	Other benefits	Pension contributions					
Chairman								
Anthoni Salim	-	-	-	-	-	-	-	-
Executive Directors								
Manuel V. Pangjilinan (<i>Managing Director and Chief Executive Officer</i>)	1,480	189	76	1,003	939	-	-	3,687
Edward A. Tortorici	837	128	261	1,169	939	-	-	3,334
Robert C. Nicholson	749	2	1	375	721	-	-	1,848
Non-Executive Directors								
His Excellency Albert F. del Rosario	-	26	-	-	165	25	-	216
Sutanto Djuhar	-	-	-	-	-	-	-	-
Tedy Djuhar	-	-	-	-	-	-	-	-
Ibrahim Risjad	-	-	-	-	-	-	-	-
Benny S. Santoso	-	-	-	-	165	-	-	165
Independent Non-Executive Directors								
Graham L. Pickles	-	-	-	-	165	55	-	220
Edward K.Y. Chen (<i>GBS, CBE, JP</i>)	-	-	-	-	165	55	-	220
David W.C. Tang (<i>OBE, Chevalier de L'Ordre des Arts et des Lettres</i>)	-	-	-	-	165	35	77	277
Total	3,066	345	338	2,547	3,424	170	77	9,967

(i) Performance based payments comprise performance bonus and long-term monetary incentive awards.

(ii) For meetings attended.

(iii) For consultancy services provided to the Company.

Included within total Directors' remuneration is an amount of US\$0.8 million (2004: US\$0.9 million) paid by PLDT, an associated company, in respect of the services of the Managing Director and Chief Executive Officer.

(B) Senior Executives' Remuneration

As similar remuneration schemes operate for the senior executives of the Group, their remuneration may exceed that of the Company's Directors. Two (2004: Two) senior executives were among the Group's five highest earning employees. The remaining three (2004: three), of the five highest earning employees, are the Company's Directors.

US\$ millions	2005	2004 (Restated)
Non-performance based		
– Salaries and benefits	0.6	0.6
Performance based		
– Bonuses and long-term monetary incentive awards	0.2	0.2
Equity-settled share option expense	0.6	0.4
Total	1.4	1.2

The table below shows the remuneration of the two (2004: two) senior executives who were among the Group's five highest earning employees in 2005.

Remuneration bands	2005 Number	2004 (Restated) Number
US\$509,001 – US\$573,000	–	1
US\$637,001 – US\$701,000	1	1
US\$701,001 – US\$765,000	1	–
Total	2	2

(C) Key Management Personnel Compensation

US\$ millions	Consolidated	
	2005	2004
Non-performance based		
– Salaries and benefits	11.0	10.3
– Pension contributions	1.4	0.4
Performance based		
– Bonuses and long-term monetary incentive awards	3.4	4.4
Equity-settled share option expense	5.2	4.4
Total	21.0	19.5

(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 2005 are set out below.

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

Company	Share options held at 1 January 2005	Share options exercised during the year	Share options held at 31 December 2005	Share options exercise price (HK\$)	Market price at date of grant (HK\$)	Market price during period of exercise (HK\$)	Grant date	Fully vested by	Exercisable from	Exercisable until
Executive Directors										
Manuel V. Pangilinan	31,800,000	-	31,800,000	1.76	1.76	-	1 June 2004	December 2008	June 2005	May 2014
Edward A. Tortorici	31,800,000	-	31,800,000	1.76	1.76	-	1 June 2004	December 2008	June 2005	May 2014
Robert C. Nicholson	24,500,000	-	24,500,000	1.76	1.76	-	1 June 2004	December 2008	June 2005	May 2014
Non-Executive Directors										
His Excellency Albert F. del Rosario	2,840,000	-	2,840,000	1.76	1.76	-	1 June 2004	June 2005	June 2005	May 2014
Benny S. Santoso	2,840,000	-	2,840,000	1.76	1.76	-	1 June 2004	June 2005	June 2005	May 2014
Independent Non-Executive Directors										
Graham L. Pickles	2,840,000	-	2,840,000	1.76	1.76	-	1 June 2004	June 2005	June 2005	May 2014
Edward K.Y. Chen (GBS, CBE, JP)	2,840,000	-	2,840,000	1.76	1.76	-	1 June 2004	June 2005	June 2005	May 2014
David W.C. Tang (OBE, Chevalier de L'Ordre des Arts et des Lettres)	2,840,000	(2,840,000)	-	1.76	1.76	2.65 to 2.70	1 June 2004	June 2005	June 2005	-
Senior Executives	32,286,000	-	32,286,000	1.76	1.76	-	1 June 2004	December 2008	June 2005	May 2014
Total	134,586,000	(2,840,000)	131,746,000							

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 period of the Scheme, grant to directors and executives of the Company share options of the Company 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 ten years and will expire on 23 May 2014.

The maximum number of shares on which options may be granted may not exceed 10 per cent of the Company's issued share capital, excluding any shares issued on the exercise of options at any time. 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 one per cent 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 SEHK on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of SEHK for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a 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.

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, based on the binomial model, was HK\$0.849 or an aggregate value of US\$14.6 million for all options granted. The assumptions used were as follows:

Share price at date of grant	HK\$1.76
Exercise price	HK\$1.76
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	55 per cent
Option life	10 years
Expected dividend yield	1 per cent per annum
Average risk-free interest rate (based on Hong Kong Exchange Fund Notes)	4.06 per cent per annum

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

The binomial model, applied for determining of the estimated values of the share options granted under the Company's Scheme, was developed for use in estimating the fair value of traded options that are fully transferable. Such an option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the Company's share options have characteristics significantly different from those of 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 share options granted are set out in Note 2(E)(p)(III) to the Financial Statements.

(b) Particulars of Metro Pacific's Share Option Schemes

METRO PACIFIC	Share options held at 1 January 2005	Share options canceled during the year	Share options held at 31 December 2005	Share option exercise price (Peso)	Market price at date of grant (Peso)	Grant date	Exercisable from	Exercisable until
Senior Executives	5,027,259	(5,027,259)	-	1.91	2.37	16 April 1995	April 1996	April 2005
	3,990,000	(3,990,000)	-	1.91	2.37	1 August 1995	August 1996	August 2005
	315,684	-	315,684	3.46	3.57	1 August 1997	August 1997	August 2007
Total	9,332,943	(9,017,259)	315,684					

On 15 May 1990, Metro Pacific approved a share option scheme (Old Scheme) under which Metro Pacific directors may, at their discretion, invite executives of Metro Pacific upon the regularization of employment of eligible executives, to take up share options of Metro Pacific to obtain an ownership interest in Metro Pacific and for long-term employment motivation. The scheme became effective on 15 May 1990. The scheme is valid for an indefinite period of time.

The maximum number of shares on which options may be granted may not exceed 10 per cent of the issued share capital of Metro Pacific, excluding any shares issued on the exercise of options at any time. At 31 December 2005, the number of shares issuable under share options granted under Metro Pacific's share option scheme was 315,684, which represents less than 0.01 per cent of Metro Pacific's shares in issue at that date. The maximum number of shares in respect of which options may be granted under the scheme to any one participant (including shares issued and issuable to him/her under all the options previously granted to him/her) is limited to 30 per cent of the maximum aggregate number of shares of Metro Pacific at the time of the proposed grant of options to such participant.

The exercise price in relation to each option offer shall be determined by Metro Pacific directors at their absolute discretion, but in any event shall not be less than the (i) average of the official closing price of the shares on the Philippine Stock Exchange (PSE) for the twenty trading days immediately preceding the relevant offer date or (ii) the par value of the shares.

On 12 August 2005, the shareholders of Metro Pacific approved a new share option scheme (New Scheme) under which Metro Pacific directors may, at their discretion, invite executives of Metro Pacific upon the regularization of employment of eligible executives, to take up share options of Metro Pacific to obtain an ownership interest in Metro Pacific and for the purpose of long-term employment motivation. The New Scheme is valid for ten years and became effective on 12 August 2005.

The maximum number of shares on which options may be granted under the New Scheme may not exceed 10 per cent of the issued share capital of Metro Pacific from time to time less the number of options outstanding under the Old Scheme. Upon the adoption of the New Scheme, no further share options will be granted under the Old Scheme. 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 twelve-month period shall not exceed one per cent of the shares in issue at the relevant time.

The exercise price in relation to each option grant under the New Scheme shall be determined by Metro Pacific directors at their absolute discretion, but in any event shall not be less than (i) the closing price of the Metro Pacific shares for one or more board lots of such Metro Pacific shares on the PSE on the option grant date; (ii) the average closing price of the Metro Pacific share for one or more board lots of such Metro Pacific shares on the PSE for the five business days immediately preceding the option grant date; or (iii) the par value of the Metro Pacific shares, whichever is higher.

No share options have been granted or exercised during the year in respect of Metro Pacific's share option schemes.

37. Related Party Transactions

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

- (A) At 31 December 2005, Mcrae Investment Limited, a wholly-owned subsidiary company of the Company, had an outstanding receivable from Metro Pacific which amounted to Pesos 793 million (US\$14.9 million) (31 December 2004: Pesos 793 million or US\$14.1 million). The amount is interest-free, secured and repayable within one year.
- (B) On 31 December 2004, Metro Pacific Resources, Inc. (MPRI), a company in which the Company has 100 per cent economic interest, entered into a subscription agreement with Metro Pacific to subscribe Pesos 450 million (US\$8.0 million) of Series 1-C Preferred Shares which were issued in two tranches in January and June 2005.
- (C) In August 2005, MPRI advances Pesos 61 million (US\$1.1 million) to Metro Pacific in order to provide Metro Pacific with the cash resources to meet general working capital requirements. The amount is interest-free, unsecured and repayable within one year.
- (D) ALBV, a wholly-owned subsidiary company of the Company, had a technical assistance agreement with 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 2004, subject to renewal upon mutual agreement between the parties. The agreement provides for quarterly payments of technical service fees equivalent to one per cent (2004: one per cent) of the consolidated net revenue of Smart.

ALBV also has an existing service agreement with Smart for a period of 25 years starting 1 January 1999, which shall automatically expire unless renewed by mutual agreement of both parties. Under the agreement, ALBV provides advice and assistance to Smart in sourcing capital equipment and negotiating with international suppliers, arranging international financing and other services therein consistent with and for the furtherance of the objectives of the services. Service agreement fees were paid for the whole 25-year period.

Total fees under these arrangements amounted to Pesos 567 million (US\$10.3 million) for the year ended 31 December 2005 (2004: Pesos 507 million or US\$9.0 million). At 31 December 2005, ALBV had outstanding receivables under the technical assistance agreement amounting to Pesos 194 million (US\$3.7 million) (2004: Pesos 267 million or US\$4.8 million).

- (E) In the ordinary course of business, Indofood has engaged in trade transactions with certain of its associated and affiliated companies, the majority of which are related to the Salim Family either through direct and/or common share ownership and common management. Mr. Anthoni Salim is the Chairman and a substantial shareholder of the Company and is the President Director and Chief Executive Officer of Indofood.

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

Nature of transactions For the year ended 31 December US\$ millions	Consolidated	
	2005	2004
Profit and Loss Items		
Sales of finished goods		
– to associated companies	40.2	52.6
– to affiliated companies	33.3	23.7
Purchases of raw materials		
– from associated companies	25.9	15.8
– from affiliated companies	5.5	9.8
Management and technical services fee income and royalty income		
– from associated companies	0.4	0.2
– from affiliated companies	3.1	2.1
Rental expenses		
– to affiliated companies	1.4	3.1
Transportation and pump services expenses		
– to affiliated companies	1.0	1.6

Approximately four per cent (2004: four per cent) of Indofood's sales and two per cent (2004: two per cent) of its purchases were transacted with these related companies.

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Nature of balances At 31 December US\$ millions	Consolidated	
	2005	2004
Balance Sheet Items		
Accounts receivable – trade		
– from associated companies	0.1	6.8
– from affiliated companies	4.8	4.6
Accounts receivable – non-trade		
– from associated companies	0.1	3.8
– from affiliated companies	5.9	4.3
Long-term receivables		
– from associated companies	–	4.7
Accounts payable – trade		
– to associated companies	6.4	2.5
– to affiliated companies	1.2	1.2

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 44 and 48.

- (F) Details of compensation of key management personnel of the Group during the year are set out in Note 36(C) to the Financial Statements.

38. Financial Risk Management

The Group's principal financial instruments, other than derivatives, comprise bank loans and other interest-bearing loans, and cash and short-term time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swap and foreign exchange contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

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 risk. 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(E)(s) to the Financial Statements.

(A) Market Risk

(a) Currency Risk

To manage the Group's foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, and improve investment and cash flow planning. In addition to natural hedge, 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, the aforementioned derivative instruments of the Group do not qualify as effective hedge and therefore not designated as effective hedges for accounting purposes in accordance with the provisions of HKAS 39.

(b) Price Risk

The Group is exposed to commodity price risk, especially wheat and CPO, which are the raw materials used to manufacture the Group's products, which depends on the level of demand and supply in the market, and the global economic environment. The Group is also exposed to commodity price risk as changes in fair values of future commodity contracts used by certain subsidiary companies to manage their exposures on commodity price fluctuations are directly recognized to profit and loss. Such future commodity contracts also do not qualify as effective hedge and therefore not designated as effective hedges for accounting purposes in accordance with the provisions of HKAS 39.

(B) Credit Risk

For 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. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group has policies that limit the amount of credit exposure to any particular customer, such as requiring sub-distributors to provide bank guarantee. For the property business, transfers of property titles are effected upon full payment of the purchase price. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

With respect to credit risk arising from the Group's other financial assets, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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, and debt capital and equity market issues.

(D) Fair Value and Cash Flow Interest Rate Risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. At 31 December 2005, 64.6 per cent of the Group's borrowings were at fixed rates.

The value of the Group's investments in fixed rate debentures/debt securities fluctuate as a result of changes in market interest rates and the changes in their values are recognized in the Group's equity. As the Group has no significant floating rate financial assets, the Group's operating cash flows are substantially independent of changes in market interest rates.

39. Subsequent Events

- (A) Further to the Company's announcement dated 18 January 2006, the Group continues to acquire shares in PLDT. During January to March 2006, the Group acquired an aggregate of 1.3 million shares in PLDT, representing approximately 0.7 per cent of the total issued common shares of PLDT for a total consideration of US\$44.5 million. As a result, the Group's economic and voting interests in PLDT increased to 24.5 per cent and 31.2 per cent, respectively.
- (B) On 31 January 2006, NTT DoCoMo, Inc. (DoCoMo) had agreed to acquire 12,633,486 common shares of PLDT, representing approximately 7 per cent of PLDT's total outstanding common shares, from NTT Communications, Inc. (NTT Com) for a total consideration of Yen 52,103 million (equivalent to approximately US\$440 million). NTT Com will retain 12,633,487 common shares of PLDT, thus remaining as a significant shareholder of PLDT with a similar 7 per cent equity holding.

The Company and certain of its group companies signed a Cooperation Agreement on 31 January 2006 with PLDT, DoCoMo and NTT Com which amended both the existing contracts between the parties and the shareholding arrangements. The share acquisition and other business arrangements will take effect after DoCoMo, PLDT and Smart acquire certain licenses and approvals.

Smart and DoCoMo have agreed to collaborate with each other in the rollout and development of 3G services in the Philippines. Smart will introduce DoCoMo's mobile internet service, i-mode, exclusively for Smart's subscribers. DoCoMo will provide the know-how, technologies and patents necessary for Smart to operate the i-mode service over GPRS and W-CDMA networks.

The actual transfer of 12,633,486 common shares of PLDT from NTT Com to DoCoMo was completed on 14 March 2006.

- (C) On 27 March 2006, Metro Pacific announced a three-stage recapitalization and reorganization plan involving ultimately raising fresh capital of approximately Pesos 2.7 billion (US\$50.9 million) from its existing shareholders and a third party strategic investor. The plan is expected to be concluded in September 2006.

40. Comparative Amounts

As explained in Note 2(B) to the Financial Statements, due to the adoption of a number of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the Financial Statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

41. Approval of the Financial Statements

The Financial Statements were approved and authorized for issue by the Board of Directors on 31 March 2006.

Glossary of Terms

Financial Terms

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 by a formula that takes into account of the number of years of service and the final salary 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.

EBITDA Earnings before interest, tax, depreciation and amortization.

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 Current assets less current liabilities.

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

RECURRING PROFIT Profit attributable to equity holders of the parent excluding foreign exchange and derivative gains/losses and non-recurring items.

Financial Ratios

BASIC EARNINGS PER SHARE Profit attributable to equity holders of the parent/weighted average number of shares in issue during the year.

CURRENT RATIO Current assets/current liabilities.

DILUTED EARNINGS PER SHARE Profit attributable to equity holders of the parent adjusted for the effect of assumed conversion of all dilutive potential ordinary shares/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/recurring profit.

GEARING RATIO Net debt/total equity.

INTEREST COVER Profit before taxation (excluding foreign exchange and derivative gains/losses and non-recurring items) and net borrowing costs/net borrowing costs.

RETURN ON AVERAGE NET ASSETS Profit for the year (excluding foreign exchange and derivative gains/losses and non-recurring items)/average net assets.

RETURN ON AVERAGE EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT Recurring profit/average equity attributable to equity holders of the parent.

Others

ADR American Depositary Receipts.

AGM Annual General Meeting.

DSL Digital Subscriber Line.

ESOP Employee Stock Ownership Program.

GAAP Generally Accepted Accounting Principles.

GSM Global System for Mobile Communications.

HKAS Hong Kong Accounting Standards.

HKFRS Hong Kong Financial Reporting Standards.

HKICPA Hong Kong Institute of Certified Public Accountants.

SEHK The Stock Exchange of Hong Kong Limited.

IFRS International Financial Reporting Standards.

IFRIC International Financial Reporting Interpretations Committee.

INT Interpretations.

118 LISTING RULES The Rules Governing the Listing of Securities on HKSE.

MODEL CODE Model Code for Securities Transactions by Directors of Listed Issuers.

SFO Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

SMS Short Messaging System.

SSAP Statement of Standard Accounting Practice.

Information for Investors

Financial Diary

Announcement of 2005 results	31 March 2006
Annual report posted to shareholders	20 April 2006
Last day to register for final dividend	18 May 2006
Annual General Meeting	24 May 2006
Payment of final dividend	28 June 2006
Preliminary announcement of 2006 interim results	31 August 2006*
Interim report posted to shareholders	20 September 2006*
Financial year-end	31 December 2006
Preliminary announcement of 2006 results	28 March 2007*

*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: 3,188,833,003

Stock Codes

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

ADRs Information

Level: 1
ADRs Code: FPAFY
CUSIP reference number: 335889200
ADRs to ordinary shares ratio: 1:5
ADRs depository bank: The Bank of New York

To Consolidate Shareholdings

Write to our principal share registrar and transfer office in Bermuda at
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08, Bermuda

Or the Hong Kong branch registrar at
Computershare Hong Kong Investor Services Limited

Registrar Office

46th Floor, Hopewell Centre
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A Chinese Version of this Report or Additional Information

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Solicitors

Richards Butler
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Principal Bankers

CALYON
JPMorgan Chase Bank, N.A.
Standard Bank Asia Limited
Standard Chartered Bank
UBS AG

Ten-Year Statistical Summary

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Results (US\$millions)										
Turnover	1,986.1	2,054.6	2,161.8	1,892.3	1,851.7	2,299.2	1,671.9	2,894.4	8,308.4	7,025.7
Profit/(loss) for the year	138.8	168.2	134.9	79.6	(2,192.4)	120.4	236.3	427.5	401.1	396.5
Profit/(loss) attributable to equity holders of the parent	103.0	123.9	74.1	38.2	(1,797.7)	51.9	138.2	360.5	212.0	204.2
Recurring profit	117.2	116.8	81.0	49.2	46.7	51.7	41.4	40.5	166.2	201.7
Ordinary share dividends	12.3	–	–	–	–	7.7	15.0	13.8	51.9	64.1
Per Ordinary Share Data (U.S.cents)										
Earnings/(loss)										
– Basic	3.23	3.89	2.33	1.21	(57.26)	1.78	5.34	15.21	8.98	8.73
– Diluted	3.17	N/A	N/A	N/A	N/A	N/A	5.32	15.12	8.89	8.59
– Basic recurring	3.68	3.67	2.54	1.56	1.49	1.76	1.60	1.71	7.04	8.62
– Diluted recurring	3.61	N/A	N/A	N/A	N/A	N/A	1.60	1.70	6.99	8.49
Dividends	0.39	–	–	–	–	0.26	0.52	0.58	2.19	2.71
Equity/(deficit) attributable to equity holders of the parent	12.00	7.14	1.60	(0.81)	(4.87)	13.00	22.08	34.45	3.76	10.03
Financial Ratios										
Return on average net assets (%)	24.04	32.62	27.01	25.04	12.18	8.90	5.44	5.25	26.57	33.68
Return on average equity attributable to equity holders of the parent (%)	38.39	83.89	637.87	N/A	36.59	9.84	5.66	8.92	102.11	55.64
Dividend payout ratio (%)	10.50	–	–	–	–	14.89	36.26	34.14	31.25	31.80
Dividend cover (times)	9.52	–	–	–	–	6.72	2.76	2.93	3.20	3.14
Interest cover (times)	2.76	2.94	2.43	2.36	2.61	3.50	2.96	2.38	3.65	4.78
Current ratio (times)	1.45	1.43	1.71	1.02	0.82	1.23	0.95	0.90	1.18	1.07
Gearing ratio (times)										
– Consolidated	1.12	1.45	2.12	2.46	2.84	0.76	0.77	0.59	1.52	1.74
– Company	0.11	0.10	0.12	0.15	0.09	0.10	0.28	0.38	0.80	0.39
Consolidated Balance Sheet Data (US\$millions)										
Capital expenditure	56.6	105.1	72.6	92.2	148.2	255.1	314.7	374.1	887.3	500.9
Total assets	2,347.1	2,168.7	2,213.5	2,469.5	2,186.4	3,599.2	8,395.7	7,646.3	11,386.3	8,491.8
Net debt	788.5	854.3	907.7	1,136.7	850.4	1,065.0	1,796.8	1,296.3	2,937.1	2,024.8
Total liabilities	1,640.4	1,577.6	1,785.7	2,007.1	1,886.9	2,193.7	6,058.1	5,442.8	9,463.3	7,325.1
Net current assets/(liabilities)	295.6	256.4	443.6	20.6	(234.5)	216.4	(81.6)	(106.0)	569.0	210.2
Total assets less current liabilities	1,697.0	1,571.2	1,589.4	1,456.0	899.1	2,644.2	6,644.6	6,598.5	8,257.2	5,651.5
Equity/(deficit) attributable to equity holders of the parent	382.8	227.4	51.1	(25.7)	(152.8)	408.1	642.7	818.3	88.9	236.6
Minority interest	323.9	363.7	376.7	488.1	452.3	997.4	1,694.9	1,385.2	1,834.1	930.1
Total equity	706.7	591.1	427.8	462.4	299.5	1,405.5	2,337.6	2,203.5	1,923.0	1,166.7
Company Balance Sheet Data (US\$millions)										
Total assets	2,471.2	1,891.1	1,782.8	1,867.6	2,395.1	2,938.0	2,568.9	1,904.6	1,921.0	1,172.1
Net debt ⁽ⁱ⁾	152.6	103.3	96.9	152.1	83.3	150.0	416.2	408.0	880.3	326.9
Total liabilities	1,052.0	824.4	850.8	847.9	1,425.1	1,374.9	1,081.6	820.5	819.6	327.8
Equity attributable to equity holders of the parent	1,419.2	1,066.7	932.0	1,019.7	970.0	1,563.1	1,487.3	1,084.1	1,101.4	844.3
Other Information (at 31 December)										
Number of shares in issue (millions)	3,188.8	3,186.0	3,186.0	3,186.0	3,139.8	3,139.8	2,910.8	2,375.6	2,367.3	2,358.2
Weighted average number of shares in issue (millions)										
– Basic	3,186.7	3,186.0	3,186.0	3,152.2	3,139.8	2,923.9	2,586.9	2,370.9	2,362.2	2,339.0
– Diluted	3,215.1	N/A	N/A	N/A	N/A	N/A	2,603.3	2,383.7	2,416.1	2,375.0
Share price (HK\$)	3.000	2.075	1.690	0.700	0.960	2.225	6.000	3.700	3.750	10.050
Market capitalization (US\$millions)	1,226.5	847.6	690.3	285.9	386.4	895.6	2,239.1	1,126.9	1,138.1	3,038.4
Number of shareholders	5,167	5,321	5,452	5,576	5,581	5,581	5,632	6,116	5,077	4,897
Number of employees	46,693	49,165	46,951	44,820	48,046	49,493	60,972	30,673	51,270	52,880

N/A: Not applicable

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

See pages 117 and 118 for a glossary of terms.

Note: The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs and the transitional provisions are provided in Note 2(B) to the Financial Statements. Figures for 2004 have been adjusted for these new and revised policies, however, it is not practicable to restate earlier years' figures for comparison purposes.

Summary of Principal Investments

Philippine Long Distance Telephone Company

PLDT is the leading telecommunications service provider in the Philippines. It has common shares listed on the Philippine Stock Exchange and American Depositary Receipts (ADRs) listed on the New York Stock Exchange. Through its three principal business groups, PLDT offers a wide range of telecommunications services: Wireless (principally through wholly-owned subsidiary company Smart Communications, Inc.); Fixed Line (principally through PLDT); and Information and Communications Technology (principally through wholly-owned subsidiary company ePLDT). PLDT has developed the Philippines' most extensive fiber optic backbone, cellular, fixed line and satellite networks.

Sector	: Telecommunications
Place of incorporation/business area	: The Philippines
Issued number of shares	: 180.8 million
Particular of issued shares held	: Common shares of Pesos 5 par value
Economic interest/voting interest	: 23.9 per cent/30.5 per cent

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

PT Indofood Sukses Makmur Tbk

Indofood is the premier processed-foods company in Indonesia, which offers total food solutions to its customers. It is based in Jakarta, and is listed on the Jakarta and Surabaya Stock Exchanges. Through its four major business units, Indofood offers a wide range of food products: Bogasari (flour and pasta), Consumer Branded Products (Noodles, Food Seasonings, Snack Foods, and Nutrition and Special Foods), Edible Oils and Fats (Plantations, Cooking Oils, Margarine and Shortening) and Distribution. Indofood is considered as one of the world's largest instant noodles manufacturer by volume, and the largest flour miller in Indonesia. Indofood's flourmill in Jakarta is one of the largest in the world in terms of production capacity in one location. It also has an extensive distribution network in the country.

Sector	: Consumer Food Products
Place of incorporation/business area	: Indonesia
Issued number of shares	: 9.4 billion
Particular of issued shares held	: Shares of Rupiah 100 par value
Economic interest/voting interest	: 51.5 per cent

Further information on Indofood can be found at www.indofood.co.id

Metro Pacific Corporation

Metro Pacific is a Manila, Philippines-based holding company listed on the Philippine Stock Exchange. Metro Pacific's businesses include property concerns Landco Pacific Corporation and Pacific Plaza Towers, and domestic Philippine shipping firm Negros Navigation Co., Inc.

Sector	: Property and Transportation
Place of incorporation/business area	: The Philippines
Issued number of shares	: 18.6 billion
Particular of issued shares held	: Common shares of Peso 1 par value
Economic interest/voting interest	: 75.5 per cent

Further information on Metro Pacific can be found at www.metropacific.com

Level Up! International Holdings Pte Ltd

Level Up is the pioneer and leading online game publisher in the Philippines, Brazil and India. Online games are a rapidly growing segment of the global video game industry, and Level Up focuses on online games in emerging markets.

Sector	: Online games
Place of incorporation/business area	: Singapore/The Philippines, Brazil and India
Issued number of shares	: 413,869
Particular of issued shares held	: Ordinary shares of US\$8 par value
Economic interest/voting interest	: 25.0 per cent

Further information on Level Up can be found at www.levelupgames.com

