FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00142)

website: http://www.firstpacco.com

2008 Annual Results - Audited

FINANCIAL HIGHLIGHTS

- Recurring profit improved by 28.1% to US$239.2 million (HK$1,865.8 million) from US$186.7 million (HK$1,456.3 million).
- Profit contribution from operations increased by 24.3% to US$304.4 million (HK$2,374.3 million) from US$244.8 million (HK$1,909.4 million).
- Turnover increased by 35.0% to US$4,105.3 million (HK$32,021.3 million) from US$3,040.8 million (HK$23,718.2 million), reflecting an increase in Indofood's turnover across all divisions, and especially in respect of the Agribusiness division.
- Despite of the higher recurring profit contributions from PLDT, Indofood and MPIC, profit attributable to equity holders of the parent decreased by 60.2% to US$200.8 million (HK$1,566.2 million) from US$504.8 million (HK$3,937.4 million) principally due to lower non-recurring gains.
- Net non-recurring gain stands at US$24.5 million (HK$191.1 million), which mainly includes (i) gains on dilution and divestment of the Group's interest in Indofood and PLDT of US$28.7 million (HK$223.9 million), (ii) MPIC's gains arising from increase in interests in Maynilad and MDI totaling US$13.4 million (HK$104.5 million), (iii) a gain of US$10.5 million (HK$81.9 million) from a reduction in Indofood's deferred tax liabilities due to reduction in future tax rates and (iv) MPIC's gain on sale of assets of US$3.9 million (HK$30.4 million), partly offset by a Group's impairment provision of US$36.4 million (HK$283.9 million) in respect of its investment in Philex. The net non-recurring gain for last year mainly comprises gains on divestment and dilution of the Group's interest in PLDT and Indofood of US$250.6 million (HK$1,954.7 million).
- Basic earnings per share decreased by 60.4% to U.S. 6.23 cents (HK48.6 cents) from U.S. 15.72 cents (HK122.6 cents).
- Equity attributable to equity holders of the parent stands at US$1,130.1 million (HK$8,814.8 million) at 31 December 2008 as compared with US$1,131.3 million (HK$8,824.1 million) at 31 December 2007.
- Consolidated gearing ratio increased to 1.06 times at 31 December 2008 from 0.68 times at 31 December 2007.
- A final dividend of HK6.00 cents (U.S. 0.77 cent) (2007: HK5.00 cents or U.S. 0.64 cent) per ordinary share has been recommended, making a total regular dividend per ordinary share equivalent to HK9.00 cents (U.S. 1.15 cent) (2007: HK7.00 cents or U.S. 0.90 cent) for the full year or a dividend payout ratio of 15.5% (2007: 15.4%) of recurring profit.

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 31 December	Notes	2008 US$m	2007 (Restated)(i) US$m	2008* HK$m	2007* (Restated)(i) HK$m
Turnover	2	**4,105.3**	3,040.8	**32,021.3**	23,718.2
Cost of sales		**(3,103.4)**	(2,320.7)	**(24,206.5)**	(18,101.4)
Gross profit		**1,001.9**	720.1	**7,814.8**	5,616.8
Gain on dilutions and divestments		**28.7**	356.1	**223.8**	2,777.6
Distribution costs		**(273.9)**	(254.2)	**(2,136.4)**	(1,982.8)
Administrative expenses		**(256.8)**	(170.7)	**(2,003.0)**	(1,331.5)
Other operating (expenses)/income, net		**(144.9)**	0.6	**(1,130.2)**	4.7
Net borrowing costs	3	**(150.5)**	(137.1)	**(1,173.9)**	(1,069.4)
Share of profits less losses of associated companies and joint ventures		**192.9**	239.7	**1,504.6**	1,869.7
Profit before taxation	4	**397.4**	754.5	**3,099.7**	5,885.1
Taxation	5	**(61.4)**	(94.0)	**(478.9)**	(733.2)
Profit for the year from continuing operations		**336.0**	660.5	**2,620.8**	5,151.9
Profit for the year from a discontinued operation	6	**0.6**	5.1	**4.7**	39.8
Profit for the year		**336.6**	665.6	**2,625.5**	5,191.7
Attributable to:					
Equity holders of the parent	7	**200.8**	504.8	**1,566.2**	3,937.4
Minority interest		**135.8**	160.8	**1,059.3**	1,254.3
		336.6	665.6	**2,625.5**	5,191.7
Ordinary share dividends	8				
Interim - HK3.00 cents (U.S. 0.38 cent) (2007: HK2.00 cents or U.S. 0.26 cent) per share		**12.3**	8.2	**95.9**	64.0
Proposed special - Nil (2007: HK3.00 cents or U.S. 0.38 cent) per share		**-**	12.3	**-**	95.9
Proposed final - HK6.00 cents (U.S. 0.77 cent) (2007: HK5.00 cents or U.S.0.64 cent) per share		**24.7**	20.6	**192.7**	160.7
Total		**37.0**	41.1	**288.6**	320.6

For the year ended 31 December	Notes	2008 US¢	2007 (Restated)(i) US¢	2008* HK¢	2007* (Restated)(i) HK¢
Earnings per share attributable to equity holders of the parent	9				
Basic					
- For profit from continuing operations		**6.23**	15.67	**48.6**	122.2
- For profit from a discontinued operation		**-**	0.05	**-**	0.4
- For profit for the year		**6.23**	15.72	**48.6**	122.6
Diluted					
- For profit from continuing operations		**5.93**	15.24	**46.3**	118.9
- For profit from a discontinued operation		**-**	0.05	**-**	0.4
- For profit for the year		**5.93**	15.29	**46.3**	119.3

(i) Refer to Note 1

CONSOLIDATED BALANCE SHEET

At 31 December	Notes	2008 US$m	2007 (Restated)(i) US$m	2008* HK$m	2007* (Restated)(i) HK$m
Non-current assets					
Property, plant and equipment		**808.4**	784.1	**6,305.5**	6,116.0
Plantations		**744.5**	881.5	**5,807.1**	6,875.7
Associated companies and joint ventures		**1,202.3**	1,304.7	**9,377.9**	10,176.7
Goodwill		**675.6**	347.2	**5,269.7**	2,708.2
Other intangible assets	10	**1,538.5**	-	**12,000.3**	-
Accounts receivable, other receivables and prepayments	11	**3.0**	37.0	**23.4**	288.6
Prepaid land premiums		**153.2**	151.4	**1,195.0**	1,180.9
Available-for-sale assets		**1.7**	6.0	**13.2**	46.8
Deferred tax assets		**38.7**	45.0	**301.9**	351.0
Financial assets at fair value through profit or loss		**-**	79.8	**-**	622.4
Other non-current assets		**217.1**	110.0	**1,693.4**	858.0
		5,383.0	3,746.7	**41,987.4**	29,224.3
Current assets					
Cash and cash equivalents		**625.9**	600.8	**4,882.0**	4,686.2
Pledged deposits		**12.0**	-	**93.6**	-
Available-for-sale assets		**56.9**	24.1	**443.8**	188.0
Accounts receivable, other receivables and prepayments	11	**435.5**	355.5	**3,396.9**	2,772.9
Inventories		**557.4**	494.0	**4,347.8**	3,853.2
		1,687.7	1,474.4	**13,164.1**	11,500.3
Assets of a disposal group classified as held for sale	6	**128.3**	-	**1,000.7**	-
		1,816.0	1,474.4	**14,164.8**	11,500.3
Current liabilities					
Accounts payable, other payables and accruals	12	**667.4**	485.6	**5,205.7**	3,787.7
Short-term borrowings		**1,207.0**	1,000.1	**9,414.6**	7,800.8
Provision for taxation		**55.8**	52.9	**435.3**	412.6
Current portion of deferred liabilities and provisions		**39.4**	17.4	**307.3**	135.7
		1,969.6	1,556.0	**15,362.9**	12,136.8
Liabilities directly associated with the assets classified as held for sale	6	**106.1**	-	**827.6**	-
		2,075.7	1,556.0	**16,190.5**	12,136.8
Net current liabilities		**(259.7)**	(81.6)	**(2,025.7)**	(636.5)
Total assets less current liabilities		**5,123.3**	3,665.1	**39,961.7**	28,587.8
Equity					
Issued share capital		**32.1**	32.2	**250.4**	251.2
Other reserves		**902.0**	1,048.6	**7,035.6**	8,179.0
Retained earnings		**196.0**	50.5	**1,528.8**	393.9
Equity attributable to equity holders of the parent		**1,130.1**	1,131.3	**8,814.8**	8,824.1
Minority interest		**1,245.1**	991.7	**9,711.8**	7,735.3
Total equity		**2,375.2**	2,123.0	**18,526.6**	16,559.4
Non-current liabilities					
Long-term borrowings		**1,951.7**	1,044.5	**15,223.2**	8,147.1
Deferred liabilities and provisions		**432.4**	180.5	**3,372.7**	1,407.9
Deferred tax liabilities		**364.0**	310.8	**2,839.2**	2,424.2
Derivative liability		**-**	6.3	**-**	49.2
		2,748.1	1,542.1	**21,435.1**	12,028.4
		5,123.3	3,665.1	**39,961.7**	28,587.8

(i) Refer to Note 1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent										
	Issued share capital US$m	Share premium US$m	Share options issued US$m	Unrealized gains/(losses) on available-for-sale assets US$m	Unrealized (losses)/ gains on cash flow hedges US$m	Exchange reserve US$m	Capital and other reserves US$m	(Accumulated losses)/ retained earnings US$m	Total US$m	Minority interest US$m	Total equity US$m
Balance at 1 January 2007	32.0	964.2	11.3	51.9	(6.6)	(42.7)	(2.6)	(424.8)	582.7	450.1	1,032.8
Changes in equity for 2007:											
Exchange differences on translating foreign operations	-	-	-	-	-	84.2	-	-	84.2	(29.5)	54.7
Unrealized gains on available-for-sale assets	-	-	-	3.9	-	-	-	-	3.9	2.2	6.1
Realized gains on available-for-sale assets	-	-	-	(45.5)	-	-	-	-	(45.5)	(3.3)	(48.8)
Unrealized gains on cash flow hedges	-	-	-	-	13.4	-	-	-	13.4	-	13.4
Net income and expense recognized directly in equity	-	-	-	(41.6)	13.4	84.2	-	-	56.0	(30.6)	25.4
Profit for the year	-	-	-	-	-	-	-	504.8	504.8	160.8	665.6
Total recognized income and expense for the year	-	-	-	(41.6)	13.4	84.2	-	504.8	560.8	130.2	691.0
Divestment and dilution of interest in an associated company	-	-	-	-	0.5	3.3	-	-	3.8	-	3.8
Dilution of interest in subsidiary companies	-	-	-	-	-	(0.8)	0.3	-	(0.5)	-	(0.5)
Acquisition of subsidiary companies	-	-	-	-	-	-	-	-	-	203.5	203.5
Change in attributable interests	-	-	-	-	-	-	-	-	-	222.9	222.9
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(15.0)	(15.0)
Issue of shares upon the exercise of share options	0.2	7.5	(2.4)	-	-	-	-	-	5.3	-	5.3
Repurchase and cancellation of shares	-	-	-	-	-	-	-	(3.0)	(3.0)	-	(3.0)
Equity-settled share option arrangements	-	-	8.7	-	-	-	-	-	8.7	-	8.7
2006 special dividend	-	-	-	-	-	-	-	(3.9)	(3.9)	-	(3.9)
2006 final dividend	-	-	-	-	-	-	-	(14.4)	(14.4)	-	(14.4)
2007 interim dividend	-	-	-	-	-	-	-	(8.2)	(8.2)	-	(8.2)
Balance at 31 December 2007 (Restated)(i)	32.2	971.7	17.6	10.3	7.3	44.0	(2.3)	50.5	1,131.3	991.7	2,123.0
Balance at 31 December 2007											
As previously reported	32.2	971.7	17.6	10.3	7.3	44.2	(2.3)	56.1	1,137.1	992.6	**2,129.7**
Prior year adjustments	-	-	-	-	-	(0.2)	-	(5.6)	(5.8)	(0.9)	**(6.7)**
As restated	32.2	971.7	17.6	10.3	7.3	44.0	(2.3)	50.5	1,131.3	991.7	**2,123.0**
Changes in equity for 2008:											
Exchange differences on translating foreign operations	-	-	-	-	-	(159.9)	-	-	(159.9)	(177.2)	**(337.1)**
Unrealized gains on available-for-sale assets	-	-	-	1.6	-	-	-	-	1.6	1.3	**2.9**
Realized gains on available-for-sale assets	-	-	-	(0.1)	-	-	-	-	(0.1)	-	**(0.1)**
Unrealized losses on cash flow hedges	-	-	-	-	(5.9)	-	-	-	(5.9)	-	**(5.9)**
Net income and expense recognized directly in equity	-	-	-	1.5	(5.9)	(159.9)	-	-	(164.3)	(175.9)	**(340.2)**
Profit for the year	-	-	-	-	-	-	-	200.8	200.8	135.8	**336.6**
Total recognized income and expense for the year	-	-	-	1.5	(5.9)	(159.9)	-	200.8	36.5	(40.1)	**(3.6)**
Divestment and dilution of interest in an associated company	-	-	-	-	-	(0.3)	-	-	(0.3)	-	**(0.3)**
Dilution of interest in subsidiary companies	-	-	-	-	-	0.2	-	-	0.2	-	**0.2**
Acquisition of subsidiary companies	-	-	-	-	0.5	-	(2.4)	-	(1.9)	295.1	**293.2**
Change in attributable interests	-	-	-	-	-	-	-	-	-	25.7	**25.7**
Reserve of a disposal group classified as assets held for sale	-	-	-	(0.1)	-	-	0.1	-	-	-	**-**
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(27.3)	**(27.3)**
Issue of shares upon the exercise of share options	0.1	2.4	(0.9)	-	-	-	-	-	1.6	-	**1.6**
Repurchase and cancellation of shares	(0.2)	-	-	-	-	-	0.2	(10.1)	(10.1)	-	**(10.1)**
Equity-settled share option arrangements	-	-	18.0	-	-	-	-	-	18.0	-	**18.0**
2007 special dividend	-	-	-	-	-	-	-	(12.3)	(12.3)	-	**(12.3)**
2007 final dividend	-	-	-	-	-	-	-	(20.6)	(20.6)	-	**(20.6)**
2008 interim dividend	-	-	-	-	-	-	-	(12.3)	(12.3)	-	**(12.3)**
Balance at 31 December 2008	**32.1**	**974.1**	**34.7**	**11.7**	**1.9**	**(116.0)**	**(4.4)**	**196.0**	**1,130.1**	**1,245.1**	**2,375.2**

	Equity attributable to equity holders of the parent										
	Issued share capital HK$m*	Share premium HK$m*	Share options issued HK$m*	Unrealized gains/(losses) on available-for-sale assets HK$m*	Unrealized (losses)/ gains on cash flow hedges HK$m*	Exchange reserve HK$m*	Capital and other reserves HK$m*	(Accumulated losses)/ retained earnings HK$m*	Total HK$m*	Minority interest HK$m*	Total equity HK$m*
Balance at 1 January 2007	249.6	7,520.8	88.1	404.8	(51.5)	(333.0)	(20.3)	(3,313.4)	4,545.1	3,510.7	8,055.8
Changes in equity for 2007:											
Exchange differences on translating foreign operations	-	-	-	-	-	656.7	-	-	656.7	(230.1)	426.6
Unrealized gains on available-for-sale assets	-	-	-	30.4	-	-	-	-	30.4	17.2	47.6
Realized gains on available-for-sale assets	-	-	-	(354.9)	-	-	-	-	(354.9)	(25.7)	(380.6)
Unrealized gains on cash flow hedges	-	-	-	-	104.5	-	-	-	104.5	-	104.5
Net income and expense recognized directly in equity	-	-	-	(324.5)	104.5	656.7	-	-	436.7	(238.6)	198.1
Profit for the year	-	-	-	-	-	-	-	3,937.4	3,937.4	1,254.3	5,191.7
Total recognized income and expense for the year	-	-	-	(324.5)	104.5	656.7	-	3,937.4	4,374.1	1,015.7	5,389.8
Divestment and dilution of interest in an associated company	-	-	-	-	3.9	25.7	-	-	29.6	-	29.6
Dilution of interest in subsidiary companies	-	-	-	-	-	(6.2)	2.3	-	(3.9)	-	(3.9)
Acquisition of subsidiary companies	-	-	-	-	-	-	-	-	-	1,587.3	1,587.3
Change in attributable interests	-	-	-	-	-	-	-	-	-	1,738.6	1,738.6
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(117.0)	(117.0)
Issue of shares upon the exercise of share options	1.6	58.5	(18.7)	-	-	-	-	-	41.4	-	41.4
Repurchase and cancellation of shares	-	-	-	-	-	-	-	(23.4)	(23.4)	-	(23.4)
Equity-settled share option arrangements	-	-	67.9	-	-	-	-	-	67.9	-	67.9
2006 special dividend	-	-	-	-	-	-	-	(30.4)	(30.4)	-	(30.4)
2006 final dividend	-	-	-	-	-	-	-	(112.3)	(112.3)	-	(112.3)
2007 interim dividend	-	-	-	-	-	-	-	(64.0)	(64.0)	-	(64.0)
Balance at 31 December 2007 (Restated)(i)	251.2	7,579.3	137.3	80.3	56.9	343.2	(18.0)	393.9	8,824.1	7,735.3	16,559.4
Balance at 31 December 2007											
As previously reported	251.2	7,579.3	137.3	80.3	56.9	344.8	(18.0)	437.6	8,869.4	7,742.3	**16,611.7**
Prior year adjustments	-	-	-	-	-	(1.6)	-	(43.7)	(45..3)	(7.0)	**(52.3)**
As restated	251.2	7,579.3	137.3	80.3	56.9	343.2	(18.0)	393.9	8,824.1	7,735.3	**16,559.4**
Changes in equity for 2008:											
Exchange differences on translating foreign operations	-	-	-	-	-	(1,247.2)	-	-	(1,247.2)	(1,382.1)	**(2,629.3)**
Unrealized gains on available-for-sale assets	-	-	-	12.5	-	-	-	-	12.5	10.1	**22.6**
Realized gains on available-for-sale assets	-	-	-	(0.8)	-	-	-	-	(0.8)	-	**(0.8)**
Unrealized losses on cash flow hedges	-	-	-	-	(46.0)	-	-	-	(46.0)	-	**(46.0)**
Net income and expense recognized directly in equity	-	-	-	11.7	(46.0)	(1,247.2)	-	-	(1,281.5)	(1,372.0)	**(2,653.5)**
Profit for the year	-	-	-	-	-	-	-	1,566.2	1,566.2	1,059.2	**2,625.4**
Total recognized income and expense for the year	-	-	-	11.7	(46.0)	(1,247.2)	-	1,566.2	284.7	(312.8)	**(28.1)**
Divestment and dilution of interest in an associated company	-	-	-	-	-	(2.3)	-	-	(2.3)	-	**(2.3)**
Dilution of interest in subsidiary companies	-	-	-	-	-	1.5	-	-	1.5	-	**1.5**
Acquisition of subsidiary companies	-	-	-	-	3.9	-	(18.7)	-	(14.8)	2,301.8	**2,287.0**
Change in attributable interests	-	-	-	-	-	-	-	-	-	200.4	**200.4**
Reserve of a disposal group classified as assets held for sale	-	-	-	(0.8)	-	-	0.8	-	-	-	**-**
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	(212.9)	**(212.9)**
Issue of shares upon the exercise of share options	0.8	18.7	(7.0)	-	-	-	-	-	12.5	-	**12.5**
Repurchase and cancellation of shares	(1.6)	-	-	-	-	-	1.6	(78.8)	(78.8)	-	**(78.8)**
Equity-settled share option arrangements	-	-	140.4	-	-	-	-	-	140.4	-	**140.4**
2007 special dividend	-	-	-	-	-	-	-	(95.9)	(95.9)	-	**(95.9)**
2007 final dividend	-	-	-	-	-	-	-	(160.7)	(160.7)	-	**(160.7)**
2008 interim dividend	-	-	-	-	-	-	-	(95.9)	(95.9)	-	**(95.9)**
Balance at 31 December 2008	**250.4**	**7,598.0**	**270.7**	**91.2**	**14.8**	**(904.8)**	**(34.3)**	**1,528.8**	**8,814.8**	**9,711.8**	**18,526.6**

(i) Refer to Note 1

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December	2008 US$m	2007 (Restated)[i] US$m	2008* HK$m	2007* (Restated)[i] HK$m
Profit before taxation				
From continuing operations	**397.4**	754.5	**3,099.7**	5,885.1
From a discontinued operation	**1.3**	6.8	**10.1**	53.1
Adjustments for:				
Interest expenses	**185.3**	167.8	**1,445.3**	1,308.8
Loss/(gain) on changes in fair value of plantations	**97.7**	(22.0)	**762.1**	(171.6)
Foreign exchange and derivative losses/(gains), net	**83.2**	(20.0)	**649.0**	(156.0)
Depreciation	**79.2**	64.5	**617.8**	503.1
Impairment losses recognized	**43.9**	38.7	**342.4**	301.9
Decrease/(increase) in accounts receivable, other receivables and prepayments (Non-current)	**37.5**	(2.3)	**292.5**	(18.0)
Amortization of other intangible assets	**27.3**	-	**212.9**	-
Equity-settled share option expense	**18.0**	8.7	**140.4**	67.9
Recognition of prepaid land premiums	**7.1**	2.8	**55.4**	21.8
Share of profits less losses of associated companies and joint ventures	**(192.9)**	(239.7)	**(1,504.6)**	(1,869.7)
Increase in other non-current assets	**(35.7)**	(10.4)	**(278.5)**	(81.1)
Interest income	**(34.8)**	(30.7)	**(271.4)**	(239.4)
Gain on dilution of interest in subsidiary companies	**(18.9)**	(149.6)	**(147.4)**	(1,166.9)
Gain on divestment and dilution of interest in an associated company	**(9.8)**	(206.5)	**(76.4)**	(1,610.7)
Realized gain on sale of available-for-sale assets	**(0.6)**	(25.0)	**(4.7)**	(195.0)
Gain on sale of property, plant and equipment	**(0.6)**	(0.2)	**(4.7)**	(1.6)
Dividend income from available-for-sale assets	**(0.5)**	-	**(3.9)**	-
Dividend income from financial assets at fair value through profit or loss	**-**	(2.9)	**-**	(22.6)
Others	**(7.5)**	26.2	**(58.5)**	204.4
	676.6	360.7	**5,277.5**	2,813.5
Increase in accounts payable, other payables and accruals	**69.1**	137.1	**538.9**	1,069.4
Increase in inventories	**(160.3)**	(116.1)	**(1,250.3)**	(905.6)
Increase in accounts receivable, other receivables and prepayments (Current)	**(151.6)**	(84.4)	**(1,182.5)**	(658.4)
Net cash generated from operations[ii]	**433.8**	297.3	**3,383.6**	2,318.9
Interest received	**40.7**	30.3	**317.5**	236.4
Interest paid	**(196.9)**	(113.6)	**(1,535.8)**	(886.1)
Tax paid	**(112.4)**	(83.3)	**(876.7)**	(649.7)
Net cash inflow from operating activities	**165.2**	130.7	**1,288.6**	1,019.5
Dividend received from associated companies	**211.9**	155.0	**1,652.8**	1,209.0
Proceeds from sale of property, plant and equipment	**20.8**	7.8	**162.2**	60.8
Acquisition of subsidiary companies	**(611.8)**	(517.6)	**(4,772.0)**	(4,037.3)
Purchase of property, plant and equipment	**(163.4)**	(69.5)	**(1,274.5)**	(542.1)
Investments in associated companies	**(140.5)**	-	**(1,095.9)**	-
Investments in plantations	**(76.7)**	(36.8)	**(598.3)**	(287.0)
Investments in intangible assets	**(67.8)**	-	**(528.8)**	-
Acquisition of available-for-sale assets	**(38.9)**	-	**(303.4)**	-
Loans and advances to a joint venture, net	**(19.0)**	(96.0)	**(148.2)**	(748.8)
Deposits for increased investments in subsidiary companies	**(12.9)**	-	**(100.6)**	-
Proceeds from divestment principally of financial assets at fair value through profit or loss	**-**	49.1	**-**	383.0
Proceeds from disposal of available-for-sale assets	**-**	31.2	**-**	243.4
Dividend received from financial assets at fair value through profit or loss	**-**	2.9	**-**	22.6
Increased investment in associated companies	**-**	(514.8)	**-**	(4,015.5)
Increased investment in a subsidiary company	**-**	(25.6)	**-**	(199.7)
Net cash outflow from investing activities	**(898.3)**	(1,014.3)	**(7,006.7)**	(7,911.6)

CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

For the year ended 31 December	2008 US$m	2007 (Restated)(i) US$m	2008* HK$m	2007* (Restated)(i) HK$m
Proceeds from new borrowings	**1,871.1**	1,793.8	**14,594.5**	13,991.7
Proceeds from sale of shares by a subsidiary company	**62.1**	-	**484.4**	-
Proceeds from the issue of shares upon the exercise of share options	**1.6**	5.3	**12.5**	41.4
Borrowings repaid	**(1,050.9)**	(824.1)	**(8,197.0)**	(6,428.0)
Dividends paid to shareholders	**(45.2)**	(26.5)	**(352.6)**	(206.7)
Dividends paid to minority interest by subsidiary companies	**(27.3)**	(15.0)	**(212.9)**	(117.0)
Repurchase of shares	**(10.1)**	(3.0)	**(78.8)**	(23.4)
Repurchase of subsidiary companies' shares	**(7.7)**	-	**(60.1)**	-
Shares issued to minority interest by subsidiary companies	**-**	264.0	**-**	2,059.2
Decrease in pledged deposits and restricted cash	**-**	31.3	**-**	244.1
Payments in respect of financing arrangements	**-**	(6.0)	**-**	(46.8)
Net cash inflow from financing activities	**793.6**	1,219.8	**6,190.0**	9,514.5
Net increase in cash and cash equivalents	**60.5**	336.2	**471.9**	2,622.4
Cash and cash equivalents at 1 January	**600.8**	267.4	**4,686.2**	2,085.7
Exchange translation	**(35.4)**	(2.8)	**(276.1)**	(21.9)
Cash and cash equivalents at 31 December	**625.9**	600.8	**4,882.0**	4,686.2

(i) Refer to Note 1
(ii) Changes in working capital are stated excluding movements due to acquisition and disposal of subsidiary companies

* *The Company maintains its accounts and reports to its shareholders in United States dollars. The figures shown in Hong Kong dollars are for illustration only and are based on a fixed exchange rate of 7.8 Hong Kong dollars to one United States dollar.*

Notes:-

1. **Impact of new and revised Hong Kong Financial Reporting Standards (HKFRSs) and changes in accounting policies**

Certain changes to Hong Kong Generally Accepted Accounting Principles (GAAP) have been implemented during 2008 as a consequence of the following new and revised Hong Kong Accounting Standard (HKAS), HKFRSs and Hong Kong (International Financial Reporting Interpretations Committee)-Interpretations (HK(IFRIC)-Ints) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA):

HKAS 39 and HKFRS 7 Amendments	"Reclassification of Financial Assets" (i)
HK(IFRIC)-Int 11	"HKFRS 2 – Group and Treasury Share Transactions" (ii)
HK(IFRIC)-Int 12	"Service Concession Arrangements"(iii)
HK(IFRIC)-Int 14	"HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"(iii)

(i) Effective from 1 July 2008
(ii) Effective for annual periods commencing on or after 1 March 2007
(iii) Effective for annual periods commencing on or after 1 January 2008

The adoption of HKAS 39 and HKFRS 7 Amendments, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 14 has had no effect on both the profit attributable to equity holders of the parent for the years ended 31 December 2008 and 31 December 2007 and equity attributable to equity holders of the parent at 31 December 2008 and 31 December 2007. The impact of adopting HK(IFRIC)-Int 12 is summarized as follows.

HK(IFRIC)-Int 12 covers contractual arrangements arising from private entities providing public services. The Group's adoption of HK(IFRIC)-Int 12 affects its accounting for the results of operations and financial position of its joint venture (which become a subsidiary company of the Group since July 2008), Maynilad. Maynilad holds an exclusive concession, granted by Metropolitan Waterworks and Sewerage System (MWSS) on behalf of the Philippine government, to provide water and sewerage services and charge users for the services provided in the area of West Metro Manila. Under HK(IFRIC)-Int 12, Maynilad (i) recognized the value of concession assets as intangible assets (subject to amortization) and the present value of concession fees payable (subject to accretion of interest expenses) during the entire concession period retrospectively, (ii) reclassified certain of its property, plant and equipment (representing the water infrastructure) which will be vested to MWSS at the end of the concession period as its concession assets and amortized on a straight-line basis over the concession period (which results in changes in depreciation and amortization expenses), (iii) recognized contract revenue, costs and margins for its services of constructing and upgrading the infrastructure used to provide its services, and (iv) retranslated the foreign currency denominated portion of the concession fees payable and loans based on the closing exchange rate at each balance sheet date and capitalized the foreign exchange differences as deferred credits or charges given the existence of a recovery mechanism for these foreign exchange differences in accordance with the concession agreement entered into between MWSS and Maynilad.

Upon DMWC's acquisition of Maynilad in January 2007, the Group has already accounted for Maynilad's concession assets at fair value and recognize the present value of concession fees payable the remaining concession life. Therefore, the financial impact of the Group's adoption of HK(IFRIC)-Int 12 is limited to (i) a reclassification of certain property, plant and equipment to concession assets and their amortization over the remaining concession life, (ii) a recognition of construction revenue, costs and margins, and (iii) a recognition of foreign exchange differences arising from the retranslation of foreign currency denominated portion of concession fees payable and loans as deferred credits or charges.

The effect of the above changes is summarized below:

(a) Effect on the consolidated balance sheet at 31 December 2008 and 2007

Effect of new accounting policies At 31 December	**2008** **US$m**	2007 US$m	**2008*** **HK$m**	2007* HK$m
Assets				
Decrease in property, plant and equipment	**(382.5)**	-	**(2,983.5)**	-
Increase in other intangible assets	**388.2**	-	**3,028.0**	-
Decrease in associated companies and joint ventures	**-**	(6.7)	**-**	(52.3)
	5.7	(6.7)	**44.5**	(52.3)
Liabilities/Equity				
Decrease in deferred liabilities and provisions	**(9.7)**	-	**(75.6)**	-
Increase in deferred tax liabilities	**3.6**	-	**28.1**	-
Increase/(decrease) in retained earnings	**5.0**	(5.6)	**39.0**	(43.7)
Decrease in exchange reserve	**(0.3)**	(0.2)	**(2.3)**	(1.6)
Increase/(decrease) in minority interest	**7.1**	(0.9)	**55.3**	(7.0)
	5.7	(6.7)	**44.5**	(52.3)

(b) Effect on the consolidated profit and loss statement for the years ended 31 December 2008 and 2007

Effect of new accounting policies For the year ended 31 December	**2008** **US$m**	2007 US$m	**2008*** **HK$m**	2007* HK$m
Decrease in cost of sales	**0.5**	-	**3.9**	-
Decrease in other operating expenses, net	**18.7**	-	**145.9**	-
Increase/(decrease) in share of profits less losses of associated companies and joint ventures	**6.0**	(6.1)	**46.8**	(47.6)
Increase in taxation	**(6.0)**	-	**(46.8)**	-
Increase/(decrease) in profit for the year	**19.2**	(6.1)	**149.8**	(47.6)
Attributable to:				
Equity holders of the parent	**10.6**	(5.6)	**82.7**	(43.7)
Minority interest	**8.6**	(0.5)	**67.1**	(3.9)
Increase/(decrease) in profit for the year	**19.2**	(6.1)	**149.8**	(47.6)
Increase/(decrease) in earnings per share attributable to equity holders of the parent (U.S cents)				
Basic	**0.33**	(0.17)	**2.57**	(1.33)
Diluted	**0.33**	(0.17)	**2.57**	(1.33)

2. **Turnover and segmental information**

For the year ended 31 December	**2008**	2007	**2008***	2007*
		(Restated)		(Restated)
	US$m	US$m	**HK$m**	HK$m
Turnover				
Sale of goods	**3,896.9**	2,980.1	**30,395.8**	23,244.7
Rendering of services	**208.4**	60.7	**1,625.5**	473.5
Total	**4,105.3**	3,040.8	**32,021.3**	23,718.2

Segmental information

Segmental information, relating to the Group's business and geographical segments, is analyzed as 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.

By principal business activity - 2008

	Telecom-munications US$m	Consumer Food Products US$m	Infrastructure US$m	Natural Resources US$m	Head Office US$m	**2008 Total US$m**	**2008* Total HK$m**
Profit and loss							
Segment revenue - turnover	-	3,992.5	112.8	-	-	**4,105.3**	**32,021.3**
Segment results	-	359.6	41.5	-	(46.1)	**355.0**	**2,769.0**
Net borrowing costs						**(150.5)**	**(1,173.9)**
Share of profits less losses of associated companies and joint ventures	194.8	0.5	(1.2)	(1.2)	-	**192.9**	**1,504.6**
Profit before taxation						**397.4**	**3,099.7**
Taxation						**(61.4)**	**(478.9)**
Profit for the year from continuing operations						**336.0**	**2,620.8**
Profit for the year from a discontinued operation						**0.6**	**4.7**
Profit for the year						**336.6**	**2,625.5**
Assets and liabilities							
Segment assets	-	3,951.2	1,933.7	-	14.5	**5,899.4**	**46,015.4**
Associated companies and joint ventures	1,043.8	15.4	48.0	95.1	-	**1,202.3**	**9,377.9**
Unallocated assets						**97.3**	**758.9**
Total assets						**7,199.0**	**56,152.2**
Segment liabilities	-	533.7	677.9	-	33.7	**1,245.3**	**9,713.3**
Unallocated liabilities						**3,578.5**	**27,912.3**
Total liabilities						**4,823.8**	**37,625.6**
Other information							
Capital expenditure	-	232.3	68.2	-	-	**300.5**	**2,343.9**
Depreciation and amortization	-	76.5	29.5	-	0.5	**106.5**	**830.7**
Loss on changes in fair value of plantations	-	97.7	-	-	-	**97.7**	**762.1**
Foreign exchange and derivative losses, net	-	73.6	3.3	-	6.3	**83.2**	**649.0**
Impairment losses recognized	-	5.6	1.9	-	36.4	**43.9**	**342.4**
Other non-cash expenses	-	7.1	-	-	18.0	**25.1**	**195.8**

By principal geographical market - 2008

	The Philippines US$m	Indonesia US$m	Others US$m	Head Office US$m	**2008 Total US$m**	**2008* Total HK$m**
Segment revenue - turnover	112.8	3,992.5	-	-	**4,105.3**	**32,021.3**
Segment assets	1,933.7	3,951.2	-	14.5	**5,899.4**	**46,015.4**
Associated companies and joint ventures	1,183.6	15.4	3.3	-	**1,202.3**	**9,377.9**
Unallocated assets					**97.3**	**758.9**
Total assets					**7,199.0**	**56,152.2**
Capital expenditure	68.2	232.3	-	-	**300.5**	**2,343.9**

By principal business activity - 2007

	Telecom-munications US$m	Consumer Food Products US$m	Infrastructure US$m	Natural Resources US$m	Head Office US$m	2007 (Restated) Total US$m	2007* (Restated) Total HK$m
Profit and loss							
Segment revenue - turnover	-	3,040.3	0.5	-	-	3,040.8	23,718.2
Segment results	-	410.8	38.3	-	202.8	651.9	5,084.8
Net borrowing costs						(137.1)	(1,069.4)
Share of profits less losses of associated companies and joint ventures	209.2	(0.3)	30.8	-	-	239.7	1,869.7
Profit before taxation						754.5	5,885.1
Taxation						(94.0)	(733.2)
Profit for the year from continuing operations						660.5	5,151.9
Profit for the year from a discontinued operation						5.1	39.8
Profit for the year						665.6	5,191.7
Assets and liabilities							
Segment assets	-	3,495.5	150.4	-	195.4	3,841.3	29,962.1
Associated companies and joint ventures	1,078.9	2.3	223.5	-	-	1,304.7	10,176.7
Unallocated assets						75.1	585.8
Total assets						5,221.1	40,724.6
Segment liabilities	-	532.2	83.1	-	74.5	689.8	5,380.4
Unallocated liabilities						2,408.3	18,784.7
Total liabilities			36.8			3,098.1	24,165.1
Other information							
Capital expenditure	-	104.5	1.6	-	0.2	106.3	829.1
Depreciation and amortization	-	63.4	0.7	-	0.4	64.5	503.1
Impairment losses recognized	-	35.8	2.9	-	-	38.7	301.9
Other non-cash expenses	-	2.8	-	-	12.3	15.1	117.8

By principal geographical market - 2007

	The Philippines US$m	Indonesia US$m	Others US$m	Head Office US$m	2007 (Restated) Total US$m	2007* (Restated) Total HK$m
Segment revenue - turnover	0.5	3,040.3	-	-	3,040.8	23,718.2
Segment assets	150.4	3,495.5	-	195.4	3,841.3	29,962.1
Associated companies and joint ventures	1,296.7	2.3	5.7	-	1,304.7	10,176.7
Unallocated assets					75.1	585.8
Total assets					5,221.1	40,724.6
Capital expenditure	1.6	104.5	-	0.2	106.3	829.1

3. **Net borrowing costs**

For the year ended 31 December	**2008** **US$m**	2007 (Restated) US$m	**2008*** **HK$m**	2007* (Restated) HK$m
Total borrowing costs	**185.3**	167.8	**1,445.3**	1,308.8
Less interest income	**(34.8)**	(30.7)	**(271.4)**	(239.4)
Net borrowing costs	**150.5**	137.1	**1,173.9**	1,069.4

4. **Profit before taxation**

	2008 US$m	2007 US$m	2008* HK$m	2007* HK$m
Profit before taxation is stated after (charging)/crediting[(i)]				
Cost of inventories sold	**(2,470.1)**	(1,886.8)	**(19,266.8)**	(14,717.0)
Employees' remuneration	**(347.3)**	(280.7)	**(2,708.9)**	(2,189.5)
(Loss)/gain on changes in fair value of plantations	**(97.7)**	22.0	**(762.1)**	171.6
Cost of services rendered	**(96.7)**	(28.0)	**(754.3)**	(218.4)
Foreign exchange and derivative (losses)/gains, net	**(83.2)**	20.0	**(649.0)**	156.0
Depreciation	**(79.2)**	(64.5)	**(617.8)**	(503.1)
Impairment losses				
- Associated companies and joint ventures[(ii)]	**(36.4)**	(2.9)	**(283.9)**	(22.6)
- Accounts receivable[(iii)]	**(7.0)**	(2.5)	**(54.6)**	(19.5)
- Goodwill[(ii)]	**(0.5)**	(16.7)	**(3.9)**	(130.3)
- Other non-current assets[(ii)]	**-**	(12.4)	**-**	(96.7)
- Property, plant and equipment[(ii)]	**-**	(4.2)	**-**	(32.8)
Amortization of other intangible assets	**(27.3)**	-	**(212.9)**	-
Operating lease rentals				
- Land and buildings	**(8.6)**	(10.1)	**(67.1)**	(78.8)
- Hire of plant and equipment	**(3.6)**	(0.4)	**(28.1)**	(3.1)
Recognition of prepaid land premiums	**(7.1)**	(2.8)	**(55.4)**	(21.8)
Auditors' remuneration				
- Audit services	**(2.1)**	(1.9)	**(16.4)**	(14.8)
- Other services	**(0.6)**	(0.6)	**(4.7)**	(4.7)
Gain on dilution of interest in subsidiary companies	**18.9**	149.6	**147.4**	1,166.9
Gain on divestment and dilution of interest in an associated company	**9.8**	206.5	**76.4**	1,610.7
Realized gain on sale of available-for-sale assets	**0.6**	25.0	**4.7**	195.0
Gain on sale of property, plant and equipment	**0.6**	0.2	**4.7**	1.6
Dividend income from available-for-sale assets	**0.5**	-	**3.9**	-
Dividend income from financial assets at fair value through profit or loss	**-**	2.9	**-**	22.6

(i) Includes amounts (charged)/credited in respect of a discontinued operation
(ii) Included in other operating (expenses)/income, net
(iii) Included in distribution costs

5. **Taxation**

No Hong Kong profits tax (2007: Nil) has been provided as the Group had no estimated assessable profits (2007: 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.

For the year ended 31 December	**2008**	2007 (Restated)	**2008***	2007* (Restated)
	US$m	US$m	**HK$m**	HK$m
Subsidiary companies - Overseas				
Current taxation	**121.6**	96.5	**948.5**	752.7
Deferred taxation	**(60.2)**	(2.5)	**(469.6)**	(19.5)
Total	**61.4**	94.0	**478.9**	733.2

Included within the share of profits less losses of associated companies and joint ventures is taxation of US$93.7 million (HK$730.9 million) (2007: US$107.9 million or HK$841.6 million) and which is analyzed as follows.

For the year ended 31 December	**2008 US$m**	2007 US$m	**2008* HK$m**	2007* HK$m
Associated companies and joint ventures - Overseas				
Current taxation	**94.9**	60.4	**740.2**	471.1
Deferred taxation	**(1.2)**	47.5	**(9.3)**	370.5
Total	**93.7**	107.9	**730.9**	841.6

6. **A discontinued operation**

Following a strategic review of MPIC's businesses and its focus on core infrastructure, MPIC's directors decided in late 2008 to divest approximately 21.0% of its interest in the property business, Landco Pacific Corporation (Landco), thereby reducing MPIC's interest in Landco from 51.0% to approximately 30.0%. The divestment of interest in Landco is expected to be completed in 2009. As at 31 December 2008, Landco was classified as a disposal group held for sale.

7. **Profit attributable to equity holders of the parent**

The profit attributable to equity holders of the parent includes US$46.9 million (HK$365.8 million) of net foreign exchange and derivative losses (2007: gains of US$25.0 million or HK$195.0 million (Restated)), which comprise a loss of US$43.0 million (HK$335.4 million) (2007: US$2.7 million or HK$21.1 million) on the changes in the fair values of derivatives and foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and payables and a loss of US$3.9 million (HK$30.4 million) (2007: a gain of US$27.7 million or HK$216.1 million) on changes in the fair value of certain PLDT shares designated as financial assets at fair value through profit or loss and US$24.5 million (HK$191.1 million) (2007: US$286.6 million or HK$2,235.5 million) of net non-recurring gains.

Analysis of foreign exchange and derivative (losses)/gains

For the year ended 31 December	**2008**	2007 (Restated)	**2008***	2007* (Restated)
	US$m	US$m	**HK$m**	HK$m
Foreign exchange and derivative (losses)/gains				
- Subsidiary companies	**(83.2)**	20.0	**(649.0)**	156.0
- Associated companies and joint ventures	**(17.7)**	14.3	**(138.0)**	111.5
Subtotal	**(100.9)**	34.3	**(787.0)**	267.5
Attributable to taxation and minority interest	**54.0**	(9.3)	**421.2**	(72.5)
Total	**(46.9)**	25.0	**(365.8)**	195.0

The non-recurring gains of US$24.5 million (HK$191.1 million) for 2008 mainly include (i) a gain on dilution of the Group's interest in Indofood of US$18.9 million (HK$147.4 million), (ii) a gain on divestment and dilution of the Group's interest in PLDT of US$9.8 million (HK$76.4 million), (iii) MPIC's gains arising from increase in interests in Maynilad and MDI totaling US$13.4 million (HK$104.5 million), (iv) a gain of US$10.5 million (HK$81.9 million) from a reduction in Indofood's deferred tax liabilities due to reduction in future tax rates and (v) MPIC's gain on sale of assets of US$3.9 million (HK$30.4 million), partly offset by a Group's impairment provision of US$36.4 million (HK$283.9 million) in respect of its investment in Philex. The non-recurring gains of US$286.6 million (HK$2,235.5 million) for 2007 mainly comprise a gain on divestment of the Group's interest in PLDT of US$174.7 million (HK$1,362.7 million) on settlement of certain Head Office's Exchangeable Notes with PLDT shares and a gain on dilution of the Group's effective interest in Indofood's oils and plantations businesses of US$75.9 million (HK$592.0 million).

Included within the profit attributable to equity holders of the parent for the year ended 31 December 2008 is a profit of US$51.2 million (HK$399.4 million) (2007: US$112.0 million or HK$873.6 million) attributable to the Company.

8. **Ordinary share dividends**

	Per ordinary share				Total			
	2008	2007	**2008***	2007*	**2008**	2007	**2008***	2007*
	US¢	US¢	**HK¢**	HK¢	**US$m**	US$m	**HK$m**	HK$m
Interim	**0.38**	0.26	**3.00**	2.00	**12.3**	8.2	**95.9**	64.0
Proposed special	**-**	0.38	**-**	3.00	**-**	12.3	**-**	95.9
Proposed final	**0.77**	0.64	**6.00**	5.00	**24.7**	20.6	**192.7**	160.7
Total	**1.15**	1.28	**9.00**	10.00	**37.0**	41.1	**288.6**	320.6

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

9. **Earnings per share attributable to equity holders of the parent**
The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the parent of US$200.8 million (HK$1,566.2 million) (2007: US$504.8 million or HK$3,937.4 million (Restated)), and the weighted average number of 3,223.5 million (2007: 3,211.4 million) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on: (i) the profit for the year attributable to equity holders of the parent of US$200.8 million (HK$1,566.2 million) (2007: US$504.8 million or HK$3,937.4 million (Restated)) reduced by the dilutive impact of (a) US$6.1 million (HK$47.6 million) (2007: US$4.2 million or HK$32.8 million) in respect of the convertible notes issued by DMWC and (b) US$0.3 million (HK$2.3 million) (2007: US$0.1 million or HK$0.8 million) in respect of the exercise of share options issued by its associated companies (ii) a share base equal to the aggregate of the weighted average number of 3,223.5 million (2007: 3,211.4 million) ordinary shares in issue during the year (as used in the basic earnings per share calculation) and the weighted average of 54.1 million (2007: 62.1 million) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the year.

The impact upon full conversion of the Head Office's Exchangeable Notes and MPIC's convertible notes has not been taken into account in calculating the diluted earnings per share because their anti-dilutive effect on the basic earnings per share for the year would actually increase the earnings per share.

10. **Other intangible assets**
Other intangible assets represent (i) the concession held by Maynilad for its exclusive right granted by MWSS on behalf of the Philippine government to provide water and sewerage services and charge users for the services provided in the area of West Metro Manila during its concession period of US$837.9 million (HK$6,535.6 million), (ii) the concession held by Manila North Tollways Corporation (MNTC) for its rights, interests and privileges to finance, design, construct, operate and maintain toll roads, toll facilities and other facilities generating toll-related and non-toll related income in respect of the Manila North Expressway (also known as North Luzon Expressway (NLEX)) during its concession period of US$354.6 million (HK$2,765.9 million) and (iii) brands held by PT Indolakto for its various milk-related products of US$346.0 million (HK$2,698.8 million).

11. **Accounts receivable, other receivables and prepayments**
Included in accounts receivable, other receivables and prepayments are trade receivables of US$258.1 million (HK$2,013.2 million) (2007: US$263.3 million or HK$2,053.7 million), with an ageing profile as below.

At 31 December	**2008** **US$m**	2007 US$m	**2008*** **HK$m**	2007* HK$m
0 to 30 days	**204.3**	218.6	**1,593.5**	1,705.1
31 to 60 days	**12.0**	4.8	**93.6**	37.4
61 to 90 days	**6.7**	5.5	**52.3**	42.9
Over 90 days	**35.1**	34.4	**273.8**	268.3
Total	**258.1**	263.3	**2,013.2**	2,053.7

Indofood allows export customers 60 days of credit and local customers an average of 30 days of credit. MPIC (a) allows 60 days of credit for its water service customers, (b) collects toll fees through Tollway Management Corporation (TMC) (an associated company of MNTC's parent company) by the users' prepaid and reloadable electronic toll collection devices and credit card payment arrangements.

12. **Accounts payable, other payables and accruals**

Included in accounts payable, other payables and accruals are trade payables of US$233.4 million (HK$1,820.5 million) (2007: US$213.0 million or HK$1,661.4 million), with an ageing profile as below.

At 31 December	2008 US$m	2007 US$m	2008* HK$m	2007* HK$m
0 to 30 days	**220.7**	189.4	**1,721.5**	1,477.3
31 to 60 days	**8.5**	2.0	**66.3**	15.6
61 to 90 days	**2.6**	5.9	**20.3**	46.0
Over 90 days	**1.6**	15.7	**12.4**	122.5
Total	**233.4**	213.0	**1,820.5**	1,661.4

13. **Contingent liabilities**

At 31 December 2008, except for US$53.7 million (HK$418.9 million) (2007: US$73.4 million or HK$572.5 million) guarantees given by Indofood to loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of fresh fruit bunches to Indofood, neither the Group nor the Company had any significant contingent liabilities (2007: Nil).

14. **Employee information**

For the year ended 31 December	2008 US$m	2007 US$m	2008* HK$m	2007* HK$m
Employee's remuneration (including Directors' remuneration)	**347.3**	280.7	**2,708.9**	2,189.5

Number of employees	2008	2007
At 31 December	**66,452**	62,395
Average for the year	**65,254**	51,722

15. **Comparative amounts**

As explained in Note 1, due to the adoption of HK(IFRIC)-Int 12 during the year, the accounting treatment and presentation of certain items and balances have been revised to comply with such changes. During the year, the Group also changed its classification of the changes in fair value of plantations from cost of sales to other operating income to better reflect the non-operational nature of such an item. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatments. In addition, the comparative profit and loss statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative year (Note 6).

* *The Company maintains its accounts and reports to its shareholders in United States dollars. The figures shown in Hong Kong dollars are for illustration only and are based on a fixed exchange rate of 7.8 Hong Kong dollars to one United States dollar.*

REVIEW OF OPERATIONS

Below is an analysis of results by individual company.

Contribution Summary

	Turnover		Contribution to Group profit(i)	
For the year ended 31 December	**2008**	2007	**2008**	2007
US$ millions		(Restated) (ii)		(Restated)(ii)
PLDT(iii)	**-**	-	**211.0**	177.5
MPIC(iv)	**112.8**	0.5	**7.4**	1.8
Indofood	**3,992.5**	3,040.3	**87.6**	65.5
Philex(iii)	**-**	-	**(1.6)**	-
From operations	**4,105.3**	3,040.8	**304.4**	244.8
Head Office items:				
- Corporate overhead			**(15.9)**	(15.0)
- Net interest expense			**(29.9)**	(36.3)
- Other expenses			**(19.4)**	(6.8)
Recurring profit			**239.2**	186.7
Foreign exchange and derivative (losses)/gains(v)			**(46.9)**	25.0
(Loss)/gain on changes in the fair value of plantations(ii)			**(16.0)**	6.5
Non-recurring items(vi)			**24.5**	286.6
Profit attributable to equity holders of the parent			**200.8**	504.8

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

(ii) *The Group has restated its 2007 profit attributable to equity holders of the parent from US$510.4 million to US$504.8 million following the adoption of HK(IFRIC)-Int 12 "Service Concession Arrangements" issued by the HKICPA which became effective for annual periods beginning on or after 1 January 2008. Details of the restatements are set out in Note 1 to the Financial Statements. In addition, to better illustrate the underlying operational results and recurring profit contributions, the Group has separately presented the changes in fair value of Indofood's plantations from its recurring profit. As a result, the Group has also restated its 2007 contribution from Indofood from US$72.0 million to US$65.5 million.*

(iii) *Associated companies*

(iv) *MPIC's 2007 contribution includes US$1.2 million contribution from Landco Pacific Corporation (Landco). Landco is presented as a disposal group classified as held for sale in this year in the Financial Statements.*

(v) *2008's foreign exchange and derivative losses include a loss of US$43.0 million (2007: US$2.7 million) on foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and payables and the changes in the fair values of derivatives and a loss of US$3.9 million (2007: a gain of US$27.7 million) on changes in the fair value of certain PLDT shares designated as financial assets at fair value through profit or loss.*

(vi) *2008's net non-recurring gain amounts to US$24.5 million. The principal components were (i) a gain on dilution of the Group's investment in Indofood of US$18.9 million, (ii) a gain on divestment and dilution of the Group's interest in PLDT of US$9.8 million, (iii) MPIC's gains arising from increase in interests in Maynilad and MDI totaling US$13.4 million, (iv) a gain of US$10.5 million from a reduction in Indofood's deferred tax liabilities due to reduction in future tax rates and (v) MPIC's gain on sale of assets of US$3.9 million, partly offset by a Group's impairment provision of US$36.4 million in respect of its investment in Philex. 2007's non-recurring gains of US$286.6 million mainly comprise a gain on divestment of the Group's interest in PLDT of US$174.7 million on settlement of certain Head Office's Exchangeable Notes with PLDT shares and a gain on dilution of the Group's effective interest in Indofood's oils and plantations businesses of US$75.9 million.*

During the year, the Group's operating businesses recorded improved performance, driven by the strong growth and improved operational efficiencies of our businesses in the Philippines and Indonesia.

Turnover ↑ 35%	- to US$4,105.3 million from US$3,040.8 million - reflected the strong operational performances at Indofood and MPIC
Recurring profit ↑ 28%	- to US$239.2 million from US$186.7 million, up 28% - resulted from improved performance of all investments
Non-recurring gain ↓ 91% Reported profit ↓60%	- to US$24.5 million from US$286.6 million - the decrease represents the absence of gains from the reduction last year of the Group's interest in PLDT equivalent to US$174.7 million on settlement of the Exchangeable Notes at Head Office with PLDT shares and a gain on dilution of the Group's effective interest in Indofood's oils and plantation business amounting to US$75.9 million - to US$200.8 million from US$504.8 million - arose because of the absence of gains referred to above - 13% and 14% depreciation of the peso and rupiah against the U.S. dollar - recognized US$16.0 million loss on decrease in fair value of plantations as CPO prices have declined significantly during the second half of 2008

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 are summarized below.

Exchange rates against the U.S. dollar At 31 December	**2008**	2007	One year change
Closing			
Peso	**47.52**	41.28	-13.1%
Rupiah	**10,950**	9,419	-14.0%

Exchange rates against the U.S. dollar For the year ended 31 December	**2008**	2007	One year change
Average			
Peso	**44.68**	45.86	+2.6%
Rupiah	**9,700**	9,163	-5.5%

In 2008, the Group recorded net foreign exchange and derivative losses of US$46.9 million (2007: gains of US$25.0 million), resulting from the depreciation of the peso and rupiah analyzed as follows:

US$ millions	**2008**	2007 (Restated)
Head Office	**(6.3)**	2.7
PLDT	**(6.1)**	11.2
MPIC	**(9.1)**	9.1
Indofood	**(26.1)**	2.0
Philex	**0.7**	-
Total	**(46.9)**	25.0

Acquisitions

In 2008, the First Pacific Group expanded its portfolio by investing US$1,027 million in its core sectors:

Natural Resources	- First Pacific acquired a 21% interest in Philex Mining in the Philippines (US$133 million) - Indofood subscribed for a 60% equity interest in a sugar cane plantation company (US$41 million) - Indofood raised additional interest in plantations (US$27 million)
Consumer Products	- Indofood acquired a 69% effective interest in Indolakto dairy operation (US$350 million)
Infrastructure	- MPIC increased its interest in Maynilad Water to a control position of 57% (US$213million) - MPIC acquired a 67% ownership interest in Metro Pacific Tollways Corporation (US$252 million)
Healthcare	- MPIC acquired 34% interest in Davao Doctors Hospital (US$11 million)

Capital Management
First Pacific has, so far, bought back a total of 21.8 million ordinary shares for an aggregate consideration of US$13.1 million since 2007.

First Pacific Board recommended a final dividend of U.S. 0.77 cent (HK6.00 cents) per share (2007: U.S. 0.64 cent or HK5.00 cents), bringing total dividends (including an interim dividend of U.S. 0.38 cent (HK3.00 cents) per share) for the full year to U.S. 1.15 cent (HK9.00 cents) per share (2007: U.S. 0.90 cent or HK7.00 cents excluding special dividend of U.S. 0.38 cent (HK 3.00 cents) per share). Dividend yield increased to approximately 3.4% (2007: 1.7%) based on the closing price of HK$2.66 on 25 March 2009.

Foreign Currency Hedging
At the Head Office, First Pacific hedges only declared dividends from operating companies, mainly peso dividends from PLDT. Rupiah dividends from Indofood are not hedged due to the high cost of such hedge. There are no outstanding derivative exposures as at 31st December 2008.

Debt Profile and Interest Cover
At the end of 2008, gross debt at the Head Office stood at US$791.3 million, of which US$150 million are due in the fourth quarter of 2009, with the remaining US$641.3 million maturing in 2011 and 2013. All bank loans are on a floating interest rate basis.

Dividend incomes and interest payments in 2008 were approximately US$225 million and US$44 million, respectively. Interest cover was approximately 5 times.

2009 Outlook
In March 2009, PLDT and MPIC have announced their respective intentions to acquire an interest in Meralco. First Pacific believes that there is significant potential in the value of Meralco as its business develops along with the growth of the Philippine economy. In addition, First Pacific will benefit from the synergies which can be realized between PLDT as a telco and the infrastructure assets currently owned by MPIC, including potentially, Meralco.

The investments made over the last few years position the Group for further growth in 2009, despite the pessimistic outlook for the global economy and the challenges that each of our businesses faces in its respective markets. PLDT and MPIC in particular, are anticipated to sustain their strong operating and financial performance into 2009. Indofood's Agribusiness division will come under pressure because of lower CPO prices which, together with higher interest expenses, will likely reduce Indofood's core earnings for 2009.

PLDT
PLDT sustained its strong performance during the year by increasing its profit contribution to the Group by 19% to US$211.0 million (2007: US$177.5 million). This represents 69% of First Pacific's aggregate attributable net profit derived from the operations of subsidiary and associated companies for 2008.

PLDT's financial performance

Consolidated core net income ↑8%	- to Pesos 38.1 billion (US$852.7 million) from 35.2 billion (US$767.6 million) - reflecting a 5% increase in service revenues, a 6% growth in EBITDA - and a 14% decline in financing costs
Reported net income ↓4%	- to Pesos 34.6 billion (US$774.4 million) from Pesos 36.0 billion (US$785.0 million) - resulting from asset impairment charges of Pesos 2.4 billion (US$53.7 million) relating mainly to the ICT business - and a net forex and derivative losses of Pesos 1.0 billion (US$22.4 million) due to a 13% depreciation of peso against US$
Consolidated service revenues ↑5%	- to Pesos 142.9 billion (US$3,198.3 million) from Pesos 135.5 billion (US$2,954.2 million) - resulting from an 18% increase in cellular and broadband subscribers - a 12% increase in data and ICT revenues (which together accounted for 53% of total service revenues) - partly offset by a 1% decline in voice revenues caused by the appreciation of the average peso/US$ exchange rate by 3%
EBITDA ↑6%	- to Pesos 87.6 billion (US$1,960.6 million) from Pesos 82.9 billion (US$1,807.7 million)
EBITDA margin	- remained steady at 61% of service revenues with 65% for wireless, 52% for fixed line and 10% for ICT
Consolidated free cash flow	- to Pesos 47.9 billion (US$1,072.1 million) from Pesos 46.5 billion

↑3%	(US$1,014.0 million) - reflecting increased cash generated from operations of Pesos 884 million (US$19.8 million) - decline in net interest paid of Pesos 967 million (US$21.6 million) - and net capital expenditure of Pesos 25.2 billion (US$564.0 million)
Consolidated debt	- remained at US$1.6 billion - 78% is denominated in US$, 33% of total debt is hedged - 70% are fixed and 30% are floating-rate loans respectively - Of which US$1.1 billion matures between 2012 to 2017
Consolidated net debt ↓11%	- to US$0.8 billion from US$0.9 billion

With approximately 28% of the PLDT Group's revenues denominated in U.S. dollars, consolidated service revenues would have been 6% higher had the Peso remained stable.

Net debt to EBITDA and net debt to equity increased to 0.44 times and 0.36 times, respectively.

PLDT maintained its strong performance and robust free cash position despite the impact of inflation and the global slowdown. PLDT declared a Final dividend of Pesos 70 (US$1.57), representing the committed 70% payout of core earnings and a Special dividend of Pesos 60 (US$1.34) per share. Together with the interim dividend of Pesos 70 (US$1.57) per share, total dividends for 2008 amounted to Pesos 200 (US$4.48) per share, representing 100% payout of PLDT's consolidated core earnings.

Proposal to acquire a 20% interest in Meralco
PLDT announced on 13 March 2009 that it has reached an agreement with the Lopez Group to acquire a 20% interest in the Manila Electric Company (Meralco) owned by such group for a consideration of approximately Pesos 20.1 billion (US$ 416 million). The investment will be made through its indirect subsidiary, Pilipino Telephone Corporation (Piltel), and is subject to Piltel's shareholders' approval. The transaction is expected to be completed by the third quarter of 2009. Upon completion, PLDT will have appropriate board and management participation in Meralco.

To consolidate the PLDT Group's cellular businesses, its wholly-owned subsidiary, Smart Communications, Inc., has offered to acquire Piltel's *Talk 'N Text* brand and existing subscribers, and its GSM fixed assets. Given the change in Piltel's business, Smart intends to acquire the ownership interest currently held by the minority shareholders of Piltel by way of a general offer.

Share buyback
PLDT's strong free cash flow allows it to concurrently implement its capital management program and business expansion plans. Its board approved a share buyback program of up to 5 million shares. In 2008, PLDT bought back 1.97 million shares into treasury at an average cost of Pesos 2,521 (US$56.4) per share. PLDT will continue to buy back its shares from the market as opportunities arise.

In 2008, Piltel's board approved a share buyback program of up to 58 million shares. Piltel completed this buyback at an average cost of Pesos 6.93 (US$0.155) per share. On March 2, 2009, Piltel's board approved another share buyback program of up to 25 million shares, representing approximately 0.2% of Piltel's issued shares. Piltel completed this at an average cost of Pesos 7.48 (US$0.157) per share.

Wireless: Smart and Piltel's combined GSM subscriber base grew 17% to 35.2 million (2007: 30.0 million) representing approximately 52 % of the total cellular market in the Philippines based on subscribers and 58 % in terms of revenue. In 2008, Smart and Piltel introduced various affordable and attractive bucket-priced promotions, launched new packages for broadband and mobile internet subscribers, restructured segment-specific sales distribution channels and further expanded the subscriber base to schools, local government units and overseas workers.

New services launched in 2008 including prepaid *SmartBro Plug-it* which allows internet access through a portable wireless modem; and *Uzzap*, the Philippine's first flat-rate, all-in-one, unlimited instant messaging service that allows users to merge several messaging services such as SMS, instant messaging, and email into one mobile phone.

At the end of 2008, the cellular SIM penetration rate in the Philippines was approximately 75%. Approximately 99% of Smart and Piltel's combined subscribers are prepaid, with an average prepaid subscriber acquisition cost of approximately Pesos 48.7 (US$1.1) or 24% of net blended prepaid ARPU.

Wireless's financial performance

Wireless service revenues ↑8%	- to Pesos 93.6 billion (US$2,094.9 million) from Pesos 86.5 billion (US$1,886.1 million) - accounted for 65% of PLDT's consolidated service revenues - reflecting revenue growth in cellular data, wireless broadband and cellular voice revenues
Wireless EBITDA ↑10%	- to Pesos 60.6 billion (US$1,356.3 million) from Pesos 55.3 billion (US$1,205.8 million) - supported by the growth in subscriber base
EBITDA margin	- slightly increased to 65% from 64%
Cellular data revenues ↑8%	- to Pesos 47.8 billion (US$1,069.8 million) from Pesos 44.1 billion (US$961.6 million) - Accounted for 51% of wireless service revenues
Wireless broadband revenues ↑81%	- to Pesos 4.3 billion (US$96.2 million) from Pesos 2.4 billion (US$52.3 million) - Subscriber base grew 81% to 547,000
Cellular voice revenues ↑3%	- to Pesos 37.3 billion (US$834.8 million) from Pesos 36.1 billion (US$787.2 million) - contributed by the growth in domestic voice revenues and international call volumes - accounted for 43% of cellular revenues
Net blended ARPU ↓13%	- to Pesos 217 (US$4.9) from Pesos 248 (US$5.4) - as services penetrate to the lower end of the market and subscribers shift to bucket-priced promotions

Piltel has been using Smart's network since the launch of its *Talk 'N Text* service in April 2000 when it shared related revenues equally. The revenue-sharing agreement was amended to 80-20 in favor of Piltel in 2004, and further amended in January 2009 to 70-30 in favor of Piltel until the end of December 2010. This increases Smart's financial capacity for network expansion and upgrades in order to support the larger subscriber base.

To continue the company's commitment to offer affordable premier services to its customers, in addition to bucket-priced SMS packages, Smart plans to offer broadband services through the 850 MHz HSPA network in the second quarter of this year which will be the first in the region. Its subscribers will be able to use faster and higher quality broadband services through their cellular phone, personal computers and other mobile internet devices.

Fixed Line
During the year, fixed line subscribers increased 3% to 1.8 million mainly contributed by marketing initiatives and specific programs for retail customers, corporate clients and small-medium size enterprises which accounted for 46%, 46% and 8%, respectively, of the fixed line service revenues of Pesos 49.3 billion (US$1,103.4 million).

Fixed line's financial performance

Fixed line service revenues ↑1%	- to Pesos 49.3 billion (US$1,103.4 million) from Pesos 48.6 billion (US$1,058.7 million) - accounted for 28% of PLDT's consolidated service revenues - reflecting increases in corporate data and digital subscriber line (DSL) services revenues - despite lower revenues from national long distance, local exchange and international long distance call services
Data and other network services revenues ↑17%	- to Pesos 18.6 billion (US$416.3 million) from Pesos 15.9 billion (US$346.7 million) - accounted for 38% of fixed line service revenues - primarily contributed from increases in leased lines, IP-based and packet-based data services - and DSL subscribers increased 64% to 433,000
International long distance service revenues ↓19%	- to Pesos 7.1 billion (US$158.9 million) from Pesos 8.7 billion (US$189.7 million) - accounted for 14% of fixed line service revenues - reflecting the negative impact of the appreciation of average Peso/US$ exchange rate and a decrease in call volumes
Fixed line EBITDA ↓2%	- to Pesos 25.8 billion (US$577.4 million) from Pesos 26.4 billion (US$575.7 million) - reflecting higher cash operating expenses in relation to business expansion and network maintenance
EBITDA margin	- to 52% from 54%

During the year, *PLDT Landline Plus* (PLP) was introduced particularly for retail customers. PLP is a prepaid fixed-wireless telephone service which runs on a combined fixed and wireless platform which makes available a fixed-wireless telephone line to subscribers in areas with limited or unavailable PLDT fixed line facilities. This service offers a large amount of local voice minutes and data services within a designated calling area for a fixed monthly service fee. New tailored initiatives are available for businesses such as banking, finance, tourism, trading, manufacturing and others.

The fixed line business continues to focus on segment-specific services and offerings. The ongoing transformation program that includes transformation of the legacy network to an all-IP next generation network (NGN) will significantly improve the network's efficiency and capability, particularly data-related services.

Information and Communications Technology (ICT)
ePLDT provides knowledge processing solutions (KPS) services primarily through the SPi group and customer interaction services (CIS) under the *Ventus* brand.

ICT's financial performance

ePLDT's service revenues ↑4%	- to Pesos 10.4 billion (US$232.8 million) from Pesos 10.1 billion (US$219.3 million) - accounted for 7% of PLDT's consolidated service revenues - reflecting a 4% growth of CIS revenues to Pesos 3.4 billion (US$76.1 million) contributed by the expansion of service facilities
ePLDT EBITDA ↓9%	- to Pesos 1.0 billion (US$22.4 million) from Pesos 1.1 billion (US$24.0 million) - reflecting a 3% appreciation of average Peso/US$ exchange rate as 78% of ePLDT revenues are U.S. dollar denominated - and higher operating expenses in relation to staff compensation for CIS business
EBITDA margin	- to 10% from 11%

ePLDT rationalized and restructured its operations at the end of 2008 in order to improve operational efficiency which included closing KPS's legal electronic data discovery operations, merging legal coding services with its publishing unit and migrating 43% of US-based medical transcription services to Asia.

For 2009, ePLDT continues to focus on growing the publishing and medical billing businesses, and improving margins of its *Vitro* data center and *Ventus* call center services. This business group is anticipated to be able to make modest improvements in contribution and margins.

2009 Outlook

The Philippine economy has not suffered as much as others in the region from the global financial crisis. Although there are uncertainties on global recovery, PLDT continues to invest in its key business and operational units for long-term growth. The capital expenditure guidance for 2009 is Pesos 27 billion (US$568.2 million) recognizing that it is scalable as demand unfolds.

The growth prospects of PLDT's wireless and broadband businesses remain promising with the contribution from data-related services expected to increase further. It is anticipated that the net additional subscribers for wireless services will be lower than 2008 as cellular penetration in the Philippines has reached approximately 75%. ARPU is likely to decline due to economic conditions, further cellular service penetration to the lower end of the market and subscribers generally shifting to bucket-priced promotions.

The proposed acquisition of a 20% interest in Meralco will generate operational and business synergies comprising sharing of the fiber optic backbone, electric power poles, radio frequencies, prepaid services, broadband over power lines, among others.

The reduction in the Philippine corporate income tax rate reduction from 35% to 30% in 2009 will have a positive impact.

Reconciliation of reported results between PLDT and First Pacific

PLDT's operations are principally denominated in peso, which averaged Pesos 44.68 (2007: 45.86) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to PLDT's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2008**	2007
Net income under Philippine GAAP	**34,635**	36,004
Preference dividends(i)	**(456)**	(457)
Net income attributable to common shareholders	**34,179**	35,547
Differing accounting and presentational treatments(ii)		
- Reclassification of non-recurring items	**2,443**	1,134
- Others	**(1,631)**	(3,265)
Adjusted net income under Hong Kong GAAP	**34,991**	33,416
Foreign exchange and derivative losses/(gains)(iii)	**1,000**	(1,987)
PLDT's net income as reported by First Pacific	**35,991**	31,429

US$ millions		
Net income at prevailing average rates for 2008: Pesos 44.68 and 2007: Pesos 45.86	**805.5**	685.3
Contribution to First Pacific Group profit, at an average shareholding of 2008: 26.2% and 2007: 25.9%	**211.0**	177.5

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

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

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. In 2008, Pesos 2.4 billion (2007: Pesos 0.6 billion) asset impairment provisions and nil (2007: Pesos 0.5 billion) additional accelerated depreciation expenses due to migration to Next Generation Network were excluded and presented separately as non-recurring items.*

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

MPIC

During the year, MPIC invested a total of Pesos 22.3 billion (US$475.9 million) to expand its core business portfolio with the view to becoming the leading infrastructure group in the Philippines.

Infrastructure	- Acquired a 67.1% interest in Metro Pacific Tollways Corporation (MPTC) (formerly First Philippine Infrastructure, Inc.) (by Pesos 12.3 billon (US$251.7 million) which holds the franchise for North Luzon Expressway (NLEX) - Increased interest in Maynilad Water to a controlling position of 56.8% by Pesos 9.5 billion (US$212.8 million)
Healthcare	- Invested approximately Pesos 0.5 billion (US$11.4 million) in Davao Doctors Hospital, fully converted Pesos 750 million (US$16.7 million) subordinated notes of Medical Doctors, Inc. and successfully obtained in February 2009 a 20-year operating contract for the Cardinal Santos Medical Center

MPIC has established a business portfolio of quality assets offering water distribution, tollroads and healthcare services comprising:
- 56.8% in Maynilad Water Services, Inc. (Maynilad)
- 67.1% in Metro Pacific Tollways Corporation
- 32.4% in Medical Doctors, Inc. (MDI), which owns 100% of Colinas Verdes Hospital Managers Corporation, the operator of Cardinal Santos Medical Center
- 33.6% in Davao Doctors Hospital (DDH)

MPIC's contribution to the Group significantly increased to US$7.4 million (2007: US$1.8 million) reflecting higher contributions from Maynilad and MDI, and contributions from the newly acquired MPTC and DDH.

MPIC's financial performance

Turnover↑251 times	- to Pesos 5,041 million (US$112.8 million) from Pesos 20 million (US$0.5 million) - reflecting Maynilad's increased turnover by 10% to Pesos 8,265 million (US$185.0 million) and MPIC's consolidation of Maynilad's turnover starting July 2008 after obtaining a controlling interest, and MPTC's 1.5-month turnover of Pesos 715 million (US$16.0 million)
Core net income ↑984%	- to Pesos 347 million (US$7.8 million) in 2008 from Pesos 32 million (US$0.7 million) in 2007 - reflecting Maynilad's increased contribution by 52% to Pesos 1,036 million (US$23.2 million) from Pesos 680 million (US$14.8 million) - MDI's higher contribution by 564% to Pesos 73 million (US$1.6 million) from Pesos 11 million (US$0.2 million) - and MPTC's 1.5-month share of Pesos 166 million (US$3.7 million)
Non-recurring income	- to Pesos 202 million (US$4.5 million) from a loss of Pesos 142 million (US$3.1 million) - reflecting excess of the fair value of the acquired interest in MDI and Maynilad over the acquisition costs - and partly offset by foreign exchange losses of Pesos 453 million (US$10.1 million), principally from DMWC and Maynilad

In line with MPIC's focused strategy on infrastructure, its investment in the leisure property business of Landco no longer "fits" and accordingly MPIC is in the process of disposing of this business.

Proposal to acquire a 10.17% interest in Meralco

In line with its stated goal of becoming one of the Philippines' leading infrastructure companies, MPIC announced on 13 March 2009 that it has agreed in principle with the Beneficial Trust Fund of PLDT (BTF), subject to agreeing final terms, to acquire a 10.17% interest in Meralco from the BTF for new shares of MPIC. Upon completion, BTF will become a significant minority shareholder of MPIC and its investment will further strengthen MPIC's capital base.

The terms of the transaction are expected to reflect BTF's total investment cost of approximately Pesos 10.3 billion (US$213.5 million) in Meralco's shares and the fair value of MPIC's shares, subject to appropriate independent valuations.

MPIC intends to acquire further interest in Meralco when opportunities arise so as to develop its position as a significant shareholder of Meralco with appropriate board and management participation and to enable it to equity account for the results of Meralco.

Maynilad owns the sole water distribution concession for the western half of Metro Manila until 2022. Currently only 6.2 million of the 9 million population within the concession area are able to receive water services.

In 2008, Maynilad strengthened its capital base with injection of funds from its shareholders. The new management identified sources of water losses, accelerated the capex program and with labor rationalization and marketing programs, increased number of customers in the concession areas receiving water services from Maynilad. Maynilad exited corporate rehabilitation in February 2008 and this enabled the company to raise US$365 million of bank loans to refinance debts and facilitate the rollout of the ambitious capex program.

Maynilad's net contribution to MPIC's core net income increased 198% to Pesos 317 million (US$7.1 million) (2007: Pesos 106 million or US$ 2.3 million).

Maynilad's financial performance

Reported net income↑85%	- to Pesos 1,994 million (US$44.6 million) from to Pesos 1,076 million (US$23.5 million) - reflecting increased billed water volume, new water supply connections and lower non- revenue water
Total billed water volume↑10%	- to 315 million cubic meters from 286 million cubic meters reflecting an increase in new water supply connections and water pressure
Total billed customers↑8%	- to 762,315 from 703,519
Non-revenue water↓10%	- to 60% in December 2008 from 67% in December 2007 - as a result of employing new technology to identify location of leakage and through the redirection of excess water in one area to other customer areas in need of water

Maynilad is entitled to a tariff adjustment every five years based on its capital spending program. In February 2009, the tariff has been increased to Pesos 2.2 per cubic meter in line with inflation. Maynilad's discussions with the government in relation to tariff adjustment are ongoing. It plans to invest a total of Pesos 36.8 billion (US$774.4 million) in capital expenditures, operating expenses and concession fees for the next four years.

The **North Luzon Expressway** (NLEX) is the most modern tollroad in the Philippines today. Its rehabilitation and expansion was completed in 2005. TMC is the operator and maintenance contractor for Metro Pacific Tollways Corporation (MPTC), as well as for Subic Clark Tarlac Expressway (SCTEX).

MPTC's 1.5 month turnover of Pesos 715 million (US$16.0 million) and the net income of Pesos 166 million (US$3.7 million) contributed to MPIC's improved turnover and core net income for 2008.

The improvements to the road networks connected with NLEX and stable fuel prices are expected to have a positive impact on its traffic volume.

MPIC is developing the first nationwide premier healthcare chain in the Philippines to deliver improved services in particular diagnostic, therapeutic and preventive medical services. The demand, particularly from the expanding middle class, for high standard healthcare is increasing. MPIC is the single largest shareholder of MDI and DDH which are amongst the leading private hospitals in the Philippines.

MDI operates and manages the **Makati Medical Center** (Makati Med) which has 500 beds and a training facility for 277 medical resident and intern students. The injection of funds from MPIC allowed Makati Med to upgrade facilities and equipment, including the construction of a new 8-storey medical center annex with a 5-floor basement parking which was completed in December 2008. These improvements further strengthened Makati Med's position as a specialist treatment center and developed its brand as an international standard healthcare service provider.

MDI's financial performance

Net income↓4%	- to Pesos 257 million (US$5.8 million) from Pesos 268 million (US$5.8 million) - Improvement in net revenue, decrease in interest expense, and net income contribution of Pesos 23 million (US$0.5 million) of Colinas Verdes were offset by increases in cost of services and administration and increases in senior citizens discount granted
Core net income ↓10%	- to Pesos 222 million (US$5.0 million) from Pesos 247 million (US$5.4 million) - resulting from last year's Pesos 31 million (US$0.7 million) gain on the extinguishment of DEG Euro loan

Davao Doctors Hospital (DDH) is the largest private hospital in Davao City with 250 beds and considered the best medical facility in Mindanao. DDH operates a teaching institution Davao Doctors College Inc., which currently has approximately 4,000 students taking courses in nursing, radiologic technology, physical therapy, optometry, hotel and restaurant management and general education.

DDH's net income improved 11% to Pesos 128 million (US$2.9 million) from Pesos 115 million (US$2.5 million), attributable to the 5% net increase in revenues of Pesos 30 million (US$0.7 million) brought about by a higher average occupancy rate of 77%.

Following the expiration of a six-month interim management contract, in February 2009, MDI's wholly-owned subsidiary, Colinas Verdes Hospital Managers Corporation, received approval from the Roman Catholic Archbishop of Manila for a 20-year operating contract for the **Cardinal Santos Medical Center** (CSMC). MPIC is committed to invest at least Pesos 750 million (US$15.8 million) over the next 10 years for upgrading CSMC's medical facilities and equipment and parking facilities to enhance the range and quality of services. CSMC is a 235- bed hospital located in Metro Manila.

2009 Outlook
All assets in MPIC's portfolio - water distribution, tollroad and healthcare – possess significant growth potential and strong cash flows. They are all expected to show a significant increase in their contribution to MPIC's performance and value enhancement.

Maynilad is focusing on executing its capex program to extend coverage of its water services and hence profitability.

Full year consolidation of MPTC results will boost MPIC's 2009 results. Stable fuel prices, enhanced marketing campaigns and the full operation of SCTEX are expected to further improve NLEX traffic volume. MPTC is undertaking various initiatives with a view to fast track the completion of various tollroad projects in the country, in particular:, NLEX Phase 2 Segment 8.1; NLEX Phase 2 Segments 9 and 10; and NLEX-SLEX Connector Road (Skyway 3).

Makati Med and DDH are leveraging their technical and professional expertise for developing the first nationwide premiere healthcare chain in the Philippines.

The proposed acquisition of a 10.17% strategic interest in Meralco will complement the existing investments and generate business synergies. MPIC is also evaluating opportunities to expand the healthcare business through the acquisition of additional hospitals.

Reconciliation of reported results between MPIC and First Pacific

MPIC's operations are principally denominated in peso, which averaged Pesos 44.68 (2007: 45.86) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to MPIC's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2008**	2007 (Restated)[(i)]
Net income/(loss) under Philippine GAAP	**549**	(110)
Differing accounting and presentational treatments[(ii)]		
- Reclassification of non-recurring items	**(655)**	1,152
- Revenue recognition regarding pre-completion contracts for sale of development properties	**-**	(79)
Adjusted net (loss)/income under Hong Kong GAAP	**(106)**	963
Foreign exchange and derivative losses/(gains)[(iii)]	**453**	(870)
MPIC's net income as reported by First Pacific	**347**	93
US$ millions		
Net income at prevailing average rates for 2008: Pesos 44.68 and 2007: Pesos 45.86	**7.8**	2.0
Contribution to First Pacific Group profit, at an average shareholding of 2008: 91.1% and 2007: 92.1%	**7.4**	1.8

(i) MPIC has restated its result for 2007 from a net income of Pesos 168 million to a net loss Pesos 110 million as a result of its retrospective adoption of HK(IFRIC)-Int 12 "Service Concession Arrangements".

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

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2008 of Pesos 0.7 billion principally represents a gain arising from an increase in interest in Maynilad of Pesos 0.4 billion, a gain on sale of assets of Pesos 0.2 billion and a recognition of the excess of the fair value of the acquired interest in MDI over the acquisition cost paid for it as income of Pesos 0.2 billion. Adjustment for 2007 of Pesos 1.2 billion principally represents Pesos 3.9 billion of interest expenses accreted for the convertible notes issued to First Pacific and Ashmore Investment Management Limited (Ashmore) and transaction and financing expenses related to the acquisition of Maynilad and Pesos 0.5 billion provisions for an investment in a real estate associated company and various assets and liabilities, partly offset by the recognition of Pesos 2.1 billion excess of the fair value over the acquisition cost as income for DMWC's acquired interest in Maynilad and Pesos 1.1 billion gain on settlement of convertible notes.*
- *Revenue recognition regarding pre-completion contracts for sale of development properties: Under Philippine GAAP, MPIC recognizes revenue from pre-completion contracts for sale of development properties based on the percentage of completion method. HKAS 18 "Revenue" and Hong Kong Interpretation 3 "Revenue – Pre-completion Contracts for the Sale of Development Properties" requires the recognition of revenue for such contracts based on the satisfaction of certain conditions, which includes the transfer of significant risks and rewards of ownership of the properties to the buyers and the absence of continuing managerial involvement to the degree usually associated with ownership and effective control over the properties sold.*

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

INDOFOOD

During 2008, Indofood recorded its third consecutive year of improved performance despite inflationary pressures and high commodity prices given its ability to leverage on its competitive advantages:

– Resilient business model with four complementary Strategic Business Groups
– Economies of scale
– Nationwide production facilities: 15 noodles factories, 2 flour mills and 4 palm oil refineries
– Strong brand equity
– Diversified product portfolio
– Market leader in most product segments
– Extensive distribution network giving access to 235 million population

Indofood's contribution to the Group increased 33.7% to US$87.6 million (2007: US$ 65.5 million). This positive result reflected the strong performance of the Agribusiness group driven by higher volume and CPO prices on average during the year, and an improvement in Noodles performance driven by higher selling prices.

In December 2008, Indofood expanded its health and nutrition product portfolio by acquiring a 68.6% effective interest in Indolakto for a total consideration of US$350 million. Indolakto is the second largest dairy products manufacturer in Indonesia. It produces a wide range of products including sweetened condensed milk, ultra high temperature milk, sterilized milk, pasteurized liquid, powder milk, yogurt drink and ice-cream under leading brand names including *Indomilk, Cap Enaak, Tiga Sapi, OrchidButter* and *Indoeskrim*. Currently, the majority of Indolakto's products are distributed by Indofood's distribution group. Indolakto's products quality and visibility can be enhanced by leveraging Indofood's competitive position in research and development and marketing.

In July 2008, IndoAgri completed the subscription of a 60% equity interest in an integrated sugarcane plantation company, PT Lajuperdana Indah, for a consideration of Rupiah 375 billion (US$41.0 million). IndoAgri's expansion into the sugar industry which has exciting growth prospects aligned with population growth, the rapid development of the processed food and beverage industries and the development of sugar-based alternative fuel in Indonesia.

Indofood's financial performance

Consolidated net sales↑39%	- to Rupiah 38.8 trillion (US$3,992.5 million) from Rupiah 27.9 trillion (US$3,040.3 million) - reflecting the impact of full-year consolidation of Lonsum - and increases in sales volume in Plantation, Cooking Oils & Fats, and Snack Foods divisions and in the average selling price across all divisions for the year
Gross profit margin	- to 23.1% from 23.8% - reflecting higher raw materials and fuel costs
Consolidated operating expenses↑22%	- to Rupiah 4,635.4 billion (US$ 477.9 million) from Rupiah 3,749.1 billion (US$409.2 million) - due to higher export taxes, employee and transport costs
EBIT margin	- to 11.2% from 10.3% - resulting from the performance improvements in Noodles and Agribusiness
Core net income↑23%	- to Rupiah 1,448.8 billion (US$149.4 million) from Rupiah 1,179.6 billion (US$128.7 million) - reflecting the increase in operating income despite higher interest expense
Consolidated net debt ↑82%	- to Rupiah 14,308.0 billion (US$1,306.5 million) from Rupiah 7,855.3 billion (US$833.3 million) - reflecting new borrowings to finance the Indolakto acquisition and increased working capital requirements
Net gearing	- to 1.7 times from 1.1 times - due to higher net debt level in support of new investments (i.e. Indolakto and a sugar cane plantation company) and larger trust receipts to finance wheat importation

Debt Profile

As at the end of 2008, Indofood recorded gross debt of Rupiah 18,579.2 billion (US$1,696.6 million), of which Rupiah 11,378.6 billion (US$1,039.1 million) is to be repaid/refinanced by the end of 2009. The remaining Rupiah 7,200.6 billion (US$657.5 million) matures between 2010 and 2018.

Treasury Stock
To comply with the new company law on Treasury Stock, Indofood completed the sale of part of its treasury stock equivalent to 251.8 million shares to a strategic investor, Societe Rennes S.A.R.L., the wholly owned subsidiary of Zurich Assets International Ltd, on 15 August 2008. The remaining 663.8 million treasury shares held from a previous buyback exercise have been cancelled. As a result, First Pacific's interest in Indofood reduced from 51.5% to 50.1%.

Consumer Branded Products (CBP)
The acquisition of dairy products manufacturer Indolakto enhanced the CBP Group, allowing it to expand its health and nutrition product portfolio to complement the existing portfolio of Noodles, Food Seasonings, Snack Foods and Nutrition & Special Foods.

The high inflation caused by high crude oil and commodity prices during the first half of 2008 eroded domestic purchasing power. As a result, only Snack Foods division was able to increase sales volume.

Consumer branded products' financial performance

Sales ↑ 26%	- to Rupiah 12,296.6 billion (US$1,267.7 million) from Rupiah 9,737.0 billion (US$1,062.6 million) - accounted for 30.8% of Indofood's consolidated sales - resulting from higher average selling price
EBIT margin	- to 4.4% from 2.4% - reflecting significant improvement in margin of Noodles division

Indofood's **Noodles** division has 15 production plants in Indonesia with combined annual production capacity of 15 billion packs. *Indomie, Supermi, Sarimi, Sakura, Pop Mie, PopBihun* and *Mi Telur 3 ayam* remained popular brands. Indofood's strategy of focusing on higher priced noodles products resulted in an increase in sales value despite the economic downturn significantly impacting the sales volume of lower priced products. During the first half of 2008, there were significant cost increases for wheat, cooking oil and fuel. However, given the strength of Indofood's market position, brand loyalty and product quality, Indofood was able to increase noodles prices twice during early 2008 which were followed by competitors.

Noodles' financial performance

Noodles sales ↑29%	- to Rupiah 10,895.7 billion (US$1,123.3 million) from Rupiah 8,434.2 billion (US$920.5 million) - resulting from higher average selling price improved product mix
Noodles sales volume↓10%	- to 10.8 billion packs from 12.0 billion packs - as volume of lower priced products were adversely affected by the increases in selling prices in responding to higher cost
Noodles EBIT margin	- to 4.3% from 2.1% - reflecting higher selling prices, lower raw material and fuel costs in the second half of 2008

Instant noodles remain the cheapest convenient staple food in Indonesia. Raw material, fuel and other production costs are expected to stabilize in 2009 which will support demand. The Noodles division will maintain its competitiveness by evaluating strategies for products, brand building, marketing and distribution. This division plans to boost demand by launching new products with new flavors for targeting niche groups and increasing exports.

Food seasonings division manufactures a range of products including soy sauce, chili sauce, tomato sauce, condiments, instant seasonings and syrups. Its culinary products with *Indofood, Piring Lombok, Racik* and *Kreasiip* brands are marketed by Nestlé Indofood Citarasa Indonesia (NICI) which is a joint venture company between Indofood and Nestlé.

Food seasonings' financial performance

Sales↑4%	- to Rupiah 480.3 billion (US$49.5 million) from Rupiah 463.2 billion (US$ 50.6 million) - reflecting higher selling prices of syrup and average selling prices of culinary products
Sales volume ↓4%	- to 59.4 thousand tons from 61.8 thousand tons - resulting from lower inter-group sales volume of culinary products despite higher sales volume of syrup
EBIT margin	- to 2.8% from 3.1% - due to higher raw material and advertising and promotion costs for syrup

It is expected that raw material costs will stabilize in 2009 as Indofood increases raw material purchases from local farmers and improves its storage system. NICI will continue to strengthen its leadership in the instant seasoning and chili sauce markets. Product range will be further expanded by adding new flavor items. The latest introduction of lychee flavor syrup and new seasoning variants for frying and soups have been well received by the market.

Indofood's **Snack foods** division maintained its leadership position supported by focusing on its leading brands *Chitato* and *Lays* (potato chips), and *Qtela* (cassava chips), a traditional style snack food which was introduced in 2007.

Snack foods' financial performance

Sales↑24%	- to Rupiah 543.9 billion (US$56.1 million) from Rupiah 437.7 billion (US$47.7 million) - contributed from higher sales volume and average selling price
Sales volume ↑11%	- to 11.4 thousand tons from 10.3 thousand tons - stimulated by the introduction of new snack products and new packaging - increased visibility and market penetration through the expansion of retail convenience stores
EBIT margin	- to 4.3% from 3.7% - reflecting lower raw material costs from local farmers and increased use of alternative energy sources

This division increased production capacity for both potato and cassava chips in 2008 to capture the growth momentum of the snack food market in Indonesia. Raw material prices are expected to move in line with commodity prices, together with the ongoing cost efficiency initiatives and a partnership program with local farmers for securing quality potatoes, growth prospects for 2009 are promising.

Nutrition and Special Foods division produces food for babies, children and expectant mothers under two major brands. Market leadership was maintained through two major brands offering a wide range of nutritious food for different income groups – *Promina* caters to the upper segment, while *SUN* is for the middle-lower segment.

Adapting to the high inflation environment during the first half of 2008, the division was more focused on serving the low- and middle-income segments.

Nutrition and special foods' financial performance

Sales↓6%	- to Rupiah 376.7 billion (US$38.8 million) from Rupiah 401.9 billion (US$43.8 million) - resulting from lower sales volume to institutional customers - and weak purchasing power caused by high inflation
Sales volume ↓27%	- to 11.6 thousand tons from 15.8 thousand tons
EBIT margin	- to 7.6% from 7.4% - reflecting high key raw material and fuel costs

The division will continue segment specific advertising and promotion programs, increasing product visibility and brand awareness via educational health programs through partnerships with clinics and doctors.

Bogasari

Bogasari group's flour mills located in Jakarta and Surabaya have combined annual milling capacity of 3.8 million tons of wheat flour. It also manufactures pasta and biscuits for both domestic and international markets. Its five vessels are mainly for transporting wheat from Australia, United States and Canada to Indonesia.

In 2008, the wheat price increased significantly due to the damaged harvests from unfavorable weather conditions, demand increases from high growth countries particularly China and India, and competition for land use from biofuel crops. The small- and medium-sized enterprises (SME) were unable to pass on increased costs to end users due to their weak purchasing power and that resulted in volume reductions. The high shipping cost in the first half of 2008 combined with significantly higher wheat prices increased operating cost. Despite this difficult environment, Bogasari was able to improve its flour quality through enhancement of production processes and maintained its leadership in Indonesia's flour market.

Bogasari's financial performance

Sales↑28.7%	- to Rupiah 14.9 trillion (US$1,533.2 million) from Rupiah 11,613.5 billion (US$ 1,267.4 million) - accounted for 30.1% of Indofood's consolidated sales - reflecting higher average selling prices for all products in line with the increase in wheat costs
Sales volume of food flour↓19%	- to 2.1 million tons from 2.6 million tons - due to contraction in demand due to much higher flour price
Sales volume of pasta↓18%	- to 26.2 thousand tons from 31.9 thousand tons - due to lower export demand
EBIT margin	- to 8.3% from 11.5% - resulting from lower sales volume and higher operating costs

Raw material costs for 2009 are expected to remain high as the rupiah weakness will offset a more stable wheat price and the competitive environment will continue to pose significant challenges. Bogasari's marketing strategy will be adapted in line with this competitive environment and retain focus on customer group by introducing new flour-based products tailored to specific age groups and educational programs for targeted customer groups.

Agribusiness
Indofood operates its agribusiness mainly through its Singapore listed subsidiary Indofood Agri Resources Ltd (IndoAgri) and IndoAgri's Indonesia-listed subsidiary, PT PP London Sumatra Indonesia Tbk (Lonsum). Through its three operational divisions – plantations, cooking oils and fats (COF) and commodities – Agribusiness group is involved in research and development, oil palm seed breeding, cultivation of oil palms as well as refining, branding and marketing of cooking oils, margarine and shortening. It also engages in the cultivation of other crops such as rubber, sugar cane, cocoa and tea.

In 2008, IndoAgri's board approved a maximum buyback of approximately 145 million shares representing 10% of the issued share capital. IndoAgri bought back 9 million shares from the open market for a total consideration of approximately S$3.9 million (US$2.6 million).

Agribusiness Group's integrated model, volume growth of plantation, cooking oils and fats businesses, favourable CPO prices in first half of 2008 and high prices of edible oil products contributed to the strong performance for 2008. This was achieved despite the volatility of the CPO price and adverse market conditions in the second half of 2008

Agribusiness' financial performance

Sales↑82%	- to Rupiah 15,016.0 billion (US$1,548.0 million) from Rupiah 8,272.8 billion (US$902.8 million) - accounted for 26.9% of Indofood's consolidated sales - reflecting increases in sales volume of CPO and cooking oil - and higher average prices of palm oil and rubber as well as edible oil products
EBIT margin	- to 17.5% from 16.4% - resulting from volume growth in plantations and cooking oils & fats divisions

The volatility in CPO prices is expected to continue in 2009 and prices will remain soft as compared to 2008, fertilizers and fuel prices have stabilized recently and reduced substantially from their peak in 2008. Long-term growth prospects for CPO remain optimistic through growth of the world population and consequent increase in food demand; which currently accounts for 85% of the world's CPO consumption.

IndoAgri's competitive advantages; 32% of planted oil palm areas are immature and not yet yielding fruit, strong research and development and seed breeding operations, low cost of production combined with high yields and leading market shares of branded cooking oil and margarine position it as a long-term player in the plantation industry. Agribusiness Group has budgeted a minimum capital expenditure of Rupiah 2.3 trillion (US$210.0 million) for developing sugar business, nurturing existing plantations, building infrastructure and construction of an oil palm refinery in Jakarta which is expected to be completed in early 2010.

Plantations
IndoAgri and Lonsum have a combined plantation land bank of 539,016 hectares of which 213,328 hectares is planted. Its 18 palm oil mills have combined annual production capacity of 3.8 million metric tons. During the year, oil palm planted area increased by 21,657 hectares and average CPO yield was 4.6 metric tons per hectare.

In 2008, the CPO price fluctuated between US$500 and US$1,200 per metric ton driven by higher global demand. CPO price stabilized towards the end of 2008. In October, the Indonesian Government announced that the progressive export tax would be reapplied to CPO as price reached US$701 per metric ton and above.

Plantation's financial performance

Sales ↑154%	- to Rupiah 6,807.6 billion (US$701.8 million) from Rupiah 2,677.9 billion (US$292.2 million) - accounted for over 90% of agribusiness's EBITDA - reflecting consolidation of full year results of Lonsum as compared to only two months in 2007 - significant increase of CPO price and sales volume
CPO sales volume↑102%	- to 730 thousand metric tons from 361 thousand metric tons - benefited from contribution from Lonsum and organic growth
EBIT margin	- to 34.7% from 45.7% - negatively impacted by forex losses and higher fertilizer and fuel costs - and higher quantity of fresh fruit bunch bought from third parties which has a lower margin

The division will continue to expand its oil palm plantations, develop 18,600 hectares of sugar cane plantation and operate two sugar processing facilities by 2011.

Plantations remain an attractive long-term investment as global demand for CPO increases. IndoAgri's strong agricultural research and seed breeding facilities, low production cost approach and further integration with Lonsum will enhance productivity.

Cooking Oils and Fats
Following the acquisition of Lonsum in 2007, IndoAgri Group increased its self-sufficiency in CPO with approximately 70% of the cooking oils and fats division's refinery needs coming from our plantation division's CPO production. IndoAgri's premium branded products, mainly *Bimoli* and *Simas Palmia,* have leading market shares in the branded cooking oils and margarines segment in Indonesia. The completion of refinery expansion at Medan in early 2009 increased the total refining capacity to 1 million tons per annum.

Cooking oils and fats' financial performance

Sales↑48%	- to Rupiah 6,545.6 billion (US$674.8 million) from Rupiah 4,419.7 billion (US$482.3 million) - higher selling prices and sales volume of branded cooking oil in the domestic market
Branded cooking oils sales volume ↑14%	- to 424 thousand tons from 371 thousand tons - resulting from increased demand for consumer cooking oil in Indonesia, successful product branding and effective marketing campaigns
Sales volume of margarine and shortenings ↓12%	- to 161 thousand tons from 183 thousand tons - lower demand from industrial customers
EBIT margin	- increased to 3.2% from 1.9%

The decline of CPO prices over the last few months attracted new players to the branded cooking oil market despite the Indonesian Government's reintroduction of a 10% VAT on branded cooking oil. IndoAgri continued to protect their market position through deeper product penetration and enhancing service quality.

Commodity
This division mainly produces crude coconut oil (CNO) and derivative products, most of which are exported to the U.S., Europe, China and South Korea.

Commodity's financial performance

Sales↑41%	- to Rupiah 1,662.8 billion (US$171.4 million) from Rupiah 1,175.2 billion (US$128.3 million) - driven by higher average selling prices of copra-based and palm-based products
Sales volume of CNO	- to108 thousand tons from 109 thousand tons
EBIT margin	- to 3.3% from 3.9% - reflecting higher average selling prices

The commodities unit plans to enlarge its customer base by exploring new export opportunities.

Distribution

Indofood's stock point distribution system is the most extensive distribution network in Indonesia. All stock points are located in areas with a high density of retail outlets in order to shorten delivery time. It distributes the majority of Indofood's consumer products and third-party products to over 7,000 islands in the country. During the year, the IT system was fully operational which enhanced its communications with the head office and improved inventory control.

Distribution's financial performance

Sales↑29%	- to Rupiah 4,742.0 billion (US$488.9 million) from Rupiah 3,663.6 billion (US$399.8 million) - reflecting higher sales volume and selling prices of the products distributed - and improved supply and delivery efficiencies, wider and deeper market penetration
EBIT margin	- to 1.1% from 1.5% - resulting from higher fuel costs in the first half of 2008

The division will further leverage on its stock point distribution system for expanding coverage in rural areas and deepen market penetration for Indofood's products. Its sales force will continue interactive communications with retail outlets to better understand and respond to customers' needs, while its team of merchandisers will ensure product visibility in retail outlets.

2009 Outlook

The outlook for 2009 is mixed given the impact of the global crisis on consumer demand/purchasing power and currency. Indofood will manage in this environment by leveraging its competitive advantages while managing its businesses prudently. It will continue to improve product quality, focus on product innovation, invest in its brands and increase distribution penetration.

Reconciliation of reported results between Indofood and First Pacific

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 9,700 (2007: 9,163) to the U.S. dollar. Its financial results are prepared under Indonesian GAAP and reported in rupiah. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to Indofood's reported rupiah results to ensure compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Rupiah billions	**2008**	2007 (Restated)
Net income under Indonesian GAAP	**1,034**	980
Differing accounting and presentational treatments[(i)]		
- Reclassification of non-recurring items	**(91)**	235
- (Loss)/gain on changes in fair value of plantations	**(310)**	115
- Foreign exchange accounting	**54**	54
- Others	**164**	(69)
Adjusted net income under Hong Kong GAAP	**851**	1,315
Foreign exchange and derivative losses/(gains)[(ii)]	**506**	(35)
Loss/(gain) on changes in fair value of plantations[(ii)]	**310**	(115)
Indofood's net income as reported by First Pacific	**1,667**	1,165
US$ millions		
Net income at prevailing average rates for 2008: Rupiah 9,700 and 2007: Rupiah 9,163	**171.9**	127.1
Contribution to First Pacific Group profit, at an average shareholding of 2008: 50.9% and 2007: 51.5%	**87.6**	65.5

(i) Differences in accounting treatment under Indonesian GAAP, compared with Hong Kong GAAP and other presentational differences. The principal adjustments include:

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2008 of Rupiah 91 billion principally represents Rupiah 152 billion of gains from a reduction in deferred tax liabilities, partly offset by Rupiah 69 billion of manpower rightsizing costs. Adjustment for 2007 of Rupiah 235 billion represents Rupiah 189 billion of impairment provisions for goodwill and various assets and Rupiah 46 billion of manpower rightsizing costs.*
- *Loss/gain on changes in fair value of plantations: Under Indonesian GAAP, Indofood measures its plantations (biological assets) on a historical cost basis. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less estimated point-of-sale costs. The adjustment relates to the change in fair value of plantations during the year.*
- *Foreign exchange accounting: The adjustment relates to the reversal of the amortization of foreign exchange losses that were previously capitalized by Indofood on certain fixed assets under construction, as the originating capitalized foreign exchange losses have already been written off by First Pacific.*

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

PHILEX
Philex has been operating the Padcal mine since 1958. It is the first underground block cave operation in the Far East, producing concentrates the majority of which are shipped to the Saganoseki smelter of Pan Pacific Copper Co., Ltd. in Japan. The Padcal mine has a work force of 2,092, and its operating life is currently declared as until 2014.

Total ore mined in 2008 amounted to 8.9 million tonnes, producing 4.5 million grams (145 thousand ounces) of gold, 18.7 million kilograms (41.2 million pounds) of copper, and 4.2 million grams (137 thousand ounces) of silver, comprising 55%, 44% and 1%, respectively, of mining revenue - all of which are denominated in US dollars.

The Group's share of Philex's one-month loss was US$1.6 million, reflecting the fall in copper prices during the last quarter of 2008. As of 31 December 2008, Philex had net cash balances of US$140.4 million. A 25% stock dividend was declared, subject to shareholders' approval.

Philex's financial performance

Net income attributable to equity holders of the parent company ↓42%	- to Pesos 2,893 million (US$64.7 million) from Pesos 5,005 million (US$109.1 million) - reflecting lower metal prices, principally copper, adversely impacted by the global economic downturn which caused a steep decline in copper price starting in the last quarter of 2008 - lower volume of metals produced - and recorded marked-to-market losses of Pesos 470.1 million (US$10.5 million) on outstanding foreign currency hedging contracts
Operating costs and expenses↓0.9%	- to Pesos 6,031 million (US$135.0 million) from Pesos 6,086 million (US$132.7 million) - reflecting a 26% increase in mine products taxes and royalties, and a 33% rise in general and administrative expenses
Capital expenditure ↓24%	- to Pesos 968 million (US$21.7 million) from Pesos 1,270 million (US$27.7 million)
Interest income↑20%	- to Pesos 154 million (US$3.4 million) from of Pesos 128 million (US$2.8 million) - resulting from higher investment of free funds in short-term deposits
Net foreign exchange gain	- to Pesos 238 million (US$5.3 million) from a net foreign exchange loss of Pesos 307 million (US$6.7 million) - reflecting principally the peso-to-dollar closing rate↑13% to Pesos 47.52 for 2008 from Pesos 41.28 for 2007 for the US$ denominated short-term deposits

Hedging positions
As of 31 December 2008, Philex has the following outstanding financial instruments:

Two contracts for purchased gold put options totaling 12,000 ounces at average strike price of US$725 per ounce, with the corresponding sold call options at the average strike price of US$1,003 per ounce, maturing in 2009. Two contracts for purchased gold put options totaling 69,000 ounces at the strike price of US$610 per ounce, with the corresponding sold call options at the strike price of US$800 per ounce, maturing up to 2011. The marked-to-market loss of Pesos 335.1 million (US$7.5 million) on these outstanding gold options qualify for hedge accounting and are thus carried in equity.

One currency forward contract for US$74 million with weekly maturity of US$1 million at the forward rate of Pesos 42 per $1 maturing up to September 2009, with earlier termination provisions when the target profit is achieved and doubling of the notional amount if the fixing rate is higher than the forward rate. The contract was marked to market directly against operations at a loss of Pesos 470.1 million (US$10.5 million) based on the forward rate of Pesos48.35 to a dollar as of 31 December 2008.

Philex unrealized marked-to-market gains or losses on both gold options and currency forwards are non-cash in nature.

Environment Management
At the Padcal mine and areas around the site, approximately 1,950 hectares have been reforested with over 6 million seedlings of various tree species. The Philex-Padcal Environmental Management System has been qualified with ISO 14001 Certification for six consecutive years now. Philex has received various awards for its

environmental achievements, including that of being a consistent winner of the Best Mining Forest Contest in the Philippines.

Community Development
Philex's extensive Social Development and Management Program aims to help its host and neighboring communities to improve the quality of life of the people affected by Philex's mining operations. Programs on health, education, livelihood, infrastructure development, information and education campaigns are being undertaken in partnership with the local communities, local government units, government agencies and the academic.

Boyongan Mine
In February 2009, Philex bought the remaining 50% equity interest in the Boyongan Copper-Gold Project from Anglo American Exploration BV and Anglo American Exploration (Philippines) Inc. for a consideration of US$55 million. A pre-feasibility study completed in November 2008 by Independent Resources Estimations of South Africa concluded that based on the assumptions used in their report, the Boyongan project is technically and financially feasible, with proven mineral reserve of 65.8 million ones containing 1.39 grams of gold per tonne and 0.87% copper.

2009 Outlook
The current global financial downturn has substantially impacted metal prices which are expected to remain volatile in the near term. It is believed that the price levels will recover in time. Philex's acquisition of control over Boyongan will pave the way for the continued advancement of the project and the adjacent areas.

Reconciliation of reported results between Philex and First Pacific

Philex's operations are principally denominated in peso, which averaged Pesos 48.11 to the U.S. dollar for the month of December 2008. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to Philex's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**For the month of December 2008**
Net loss under Philippine GAAP	**(118)**
Differing accounting and presentational treatments[(i)]	
- Depreciation of revaluation increment for assets	**(65)**
- Revenue recognition regarding sale of mine products	**(46)**
- Others	**12**
Adjusted net loss under Hong Kong GAAP	**(217)**
Foreign exchange and derivative gains[(ii)]	**(169)**
Philex's net loss as reported by First Pacific	**(386)**
US$ millions	
Net loss at prevailing average rates for December 2008: Pesos 48.11	**(8.0)**
First Pacific Group's share of loss, at an average shareholding of 20.1% for December 2008	**(1.6)**

(i) Differences in accounting treatments under Philippine GAAP, compared with Hong Kong GAAP and other presentational differences. The principal adjustments include:

- *Depreciation of revaluation increment of assets: A fair value assessment was performed at the date of acquisition of Philex and certain revaluation increment adjustments have been made to property, plant and equipment. The adjustment relates to the recognition of additional depreciation based on the revalued fair value of property, plant and equipment.*
- *Revenue recognition regarding sale of mine products: Philex recognizes revenue based on the production of mine products. HKAS 18 "Revenue" requires the recognition of revenue based on the satisfaction of certain conditions, which includes the transfer of significant risks and rewards of ownership of the products to the buyers and the absence of continuing managerial involvement to the degree usually associated with ownership and effective control over the products sold.*

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

REVIEW OF 2008 GOALS

First Pacific

Goal: Continue to enhance the profitability of operating companies
Achievement: **Achieved.** All operating companies continue to report improved operating results. PLDT, MPIC and Indofood's profit contribution to the First Pacific Group increased 19%, 311% and 34% respectively.

Goal: Expand our business portfolio with complementary investments in telecoms, infrastructure, consumer products and natural resources in the emerging markets of Asia.
Achievement: **Achieved.** The First Pacific Group expanded its asset portfolio by investing US$1,027 million in 2008 in these core sectors.

Natural Resources	- First Pacific acquired a 21% interest in Philex Mining in the Philippines (US$133 million) - Indofood subscribed for a 60% equity interest in a sugar cane plantation company (US$41 million) - Indofood raised additional interest in plantations (US$27 million)
Consumer Products	- Indofood acquired a 69% effective interest in Indolakto dairy operation (US$350 million)
Infrastructure	- MPIC increased its interest in Maynilad Water o a control position of 57% (US$213 million) - MPIC acquired a 67% ownership interest in Metro Pacific Tollways Corporation (US$252 million)
Healthcare	- MPIC acquired 34% interest in Davao Doctors Hospital (US$11 million)

Goal: Manage capital within our overall investment plans and financial position to enhance shareholder returns
Achievement: **Achieved.** First Pacific Group invested over US$1 billion in businesses with significant growth potential in order to build long-term value. First Pacific Board recommended a final dividend of U.S. 0.77 cent (HK6.00 cents) per share (2007: U.S. 0.64 cent or HK5.00 cents), bringing total dividends (including an interim dividend of U.S. 0.38 cent (HK3.00 cents) per share) for the full year to U.S. 1.15 cent (HK9.00 cents) per share (2007: U.S. 0.90 cent or HK7.00 cents excluding special dividend of U.S. 0.38 cent (HK 3.00 cents) per share). Dividend yield increased to approximately 3.4% (2007: 1.7%) based on the closing price of HK$2.66 on 25 March 2009. During 2007 and 2008, First Pacific bought back a total of 21.8 million shares for an aggregate consideration of approximately US$13 million.

PLDT

Goal: Sustain overall service revenue growth and profitability
Achievement: **Achieved.** Consolidated service revenues increased 5% to Pesos 142.9 billion (US$3,198.3 million). Data and ICT revenues increased 12% and accounted for 53% of total service revenues. EBITDA increased 6% to Pesos 87.6 billion (US$1,960.6 million) and EBITDA margin remained at 61% of service revenues.

Goal: Accelerate growth in wireless, broadband and ICT, both organically, as well as through acquisitions
Achievement: **Achieved.** Combined GSM subscriber base increased 17% to 35.2 million, while broadband subscribers grew 72% to 995,916. Capital expenditure increased 2% to Pesos 25.2 billion (US$564.0 million) mainly to provide increased network capacity for cellular and broadband, and continued upgrade of the fixed line to the Next Generation Network. Service revenues of wireless, broadband and internet, and ICT increased 8%, 45% and 4% respectively.

Goal: Leverage combined strengths in product innovation, technology expertise and networks
Achievement: **Achieved.** A wide range of affordable and value-added packages are available to individuals, small and medium-sized enterprises and corporate clients. Text messaging revenues increased 10% to Pesos 45.2 billion (US$1,011.6 million) and GSM subscriber base increased 17% to 35.2 million as various bucket-priced text promotional offerings were launched in response to the market environment.

Goal: Raise service quality to significantly improve the customer experience across a wide range of services and solutions
Achievement: **Achieved.** Capital expenditure of Pesos 25.2 billion (US$564.0 million), amounted to 18% of the service revenues and this was used to expand and upgrade the network, of which 66% was allocated to wireless, 31% to fixed line and 3% to ICT. The continued improvement in service quality supports sustainable growth in service revenues and subscriber base.

Goal: Continue capital management, maintain dividends to common shareholders at 70% of 2008 core earnings and retain the "look back" approach; implement share buyback program at times when the market price does not reflect management's view of share's value

Achievement: **Achieved.** PLDT maintained its strong performance and robust free cash position despite the impact of inflation and the global slowdown. PLDT declared a final regular dividend of Pesos 70 (US$1.57), representing the committed 70% payout of core earnings and a special dividend of Pesos 60 (US$1.34) per share. Together with the interim dividend of Pesos 70 (US$1.57) per share, total dividends for 2008 were Pesos 200 (US$4.48) per share, representing 100% payout of its core earnings. PLDT's strong free cash flow allows it to concurrently implement its capital management program and business expansion plans. Its board approved a share buyback program of up to 5 million shares, PLDT bought back 1.97 million shares into treasury at an average cost of Pesos 2,521 (US$56.4) per share during 2008. PLDT will continue to buy back its shares from the market as opportunities arise.

MPIC

Goal: Secure new investment opportunities in the infrastructure, healthcare and hotel development sectors
Achievement: **Achieved.** MPIC significantly expanded its infrastructure and healthcare business portfolio by investing a total of Pesos 22.3 billion (US$475.9 million).

Infrastructure	- Acquired a 67.1% interest in Manila North Tollways Corporation (MNTC) by Pesos 12.3 billon (US$251.7 million) which holds the franchise for North Luzon Expressway (NLEX) - Increased interest in Maynilad to a controlling position of 56.8% by Pesos 9.5 billion (US$212.8 million)
Healthcare	- Invested approximately Pesos 0.5 billion (US$11.4 million) in Davao Doctors Hospital, fully converted Pesos 750 million (US$16.7 million) subordinated notes of Medical Doctors, Inc. (MDI) and successfully obtained in February 2009 a 20-year operating contract for the Cardinal Santos Medical Center

MPIC discontinued its interest in hotel development given the adverse effect of high fuel prices and the impeding financial crisis on travel and construction cost.

Goal: Expand project portfolio of middle- and high- end urban residential and luxury residential resorts
Achievement: **Not achieved.** MPIC is in the process of disposing of this business following a strategic review of its businesses and focus on infrastructure. MPIC decided late in 2008 to divest part of its interest in the leisure property developer, Landco.

Goal: Secure funding for business expansion
Achievement: **Achieved.** In 2008, MPIC issued 5.7 billion new shares to finance the acquisition of an additional interest in Maynilad and Davao Doctors Hospital. MPIC also increased its authorized capital stock from Pesos 4.6 billion to Pesos 21.55 billion. In addition, MPIC obtained a Pesos 6.75 billion (US$142.0 million) bank loan for the partial financing of the acquisition of MNTC.

Goal: Continue to improve profitability of Maynilad, Landco and MDI
Achievement: **Substantially Achieved.** In Maynilad, net income increased by 85% to Pesos 1,994 million (US$44.6 million) as total billed water volume rose as of year end by 10% to 315 million cubic meters and total billed customers increased 8% to 762,315, with non-revenue water improving to 60% in December 2008 from 67% in December 2007.

MDI's net revenue improved by 19% to Pesos 3,234 million (US$72.4 million) resulting from a higher average occupancy rate and the implementation of cost management programs.

Landco's performance suffered as second leisure home interest declined.

Indofood

Goal: Enhance brand equity and maintain market position
Achievement: **Partially Achieved.** Despite high inflation and weak purchasing power, some of the principal business groups maintained market position. Consolidated net sales increased 39.3% to Rupiah 38.8 trillion (US$3,992.5 million).

Goal: Principal business groups to continue their specific production and cost efficiency initiatives
Achievement: **Substantially achieved.** Gross margin declined marginally to 23.1% from 23.8%, however, operating profit increased 50.9% to Rupiah 4,341.5 billion (US$447.6 million) despite high raw material and fuel related costs in the first half of 2008.

Goal: Integration of IndoAgri and Lonsum's operations
Achievement: **Partially achieved.** IndoAgri's operational integration of Lonsum included combining purchases of fuel and high quality fertilizer, sharing expertise in research and development, breeding and best practice in plantation management. The process is on going.

Goal: Refinance short-term debts to longer term facilities
Achievement: **Achieved.** SIMP, a subsidiary of IndoAgri, completed the refinancing of US$180 million and Rupiah 2.4 trillion (US$219.2 million) bridging loans for the acquisition of Lonsum to longer-term loans.

GOALS FOR 2009

First Pacific

- Enhance the profitability of operating companies, in particular continue to improve the profitability of MPIC and of PLDT
- Manage the projected profitability of Indofood given the downturn in the CPO prices which will impact the profitability of Agribusiness
- Continue to evaluate complementary investment opportunities in telecoms, infrastructure, consumer products and natural resources in the emerging markets of Asia
- Manage capital within the Group's financial resources and its overall investment plans to enhance shareholder returns

PLDT

- Sustain wireless and broadband growth momentum
- Manage transformation to next generation network
- Achieve improved operating results from ePLDT
- Conclude Piltel's proposed acquisition of 20% interest in Manila Electric Company

MPIC

- Conclude the proposed acquisition of a 10.17% interest in Manila Electric Company and play a key role in improving the financial performance of Meralco
- Further enhance profitability of Maynilad and NLEX through capex and marketing initiatives
- Expand tollroad portfolio principally through the NLEX expansion options and make further strategic acquisitions as opportunities arise
- Expand healthcare portfolio through organic growth and acquisition
- Raise new equity from third party investors
- Increase the liquidity/free float to a minimum of 20% of the issued share capital

Indofood

- Further improve operational and cost efficiencies
- Maintain market leadership position through product innovation and focused advertising and promotion programs, as well as increasing distribution penetration
- Develop key account team to manage all group products
- Preserve cash by tightening cash flow management and prioritizing capital expenditure
- Refinance short-term debts to longer term facilities

Philex

- Maintain production of approximately 9 million tonnes of ore
- Allocate additional resources to advance the Boyongan Copper–Gold Project

FINANCIAL REVIEW
LIQUIDITY AND FINANCIAL RESOURCES
NET DEBT AND GEARING
An analysis of net debt and gearing for principal consolidated and associated companies follows.

Consolidated

US$ millions	**Net debt/(cash)[(i)] 2008**	**Total equity 2008**	**Gearing[(ii)] (times) 2008**	Net debt/(cash) 2007	Total equity 2007 (Restated)	Gearing[(ii)] (times) 2007 (Restated)
Head Office	**731.3**	**1,558.3**	**0.47x**	532.4	1,542.8	0.35x
MPIC	**483.0**	**416.4**	**1.16x**	78.1	63.8	1.22x
Indofood	**1,306.5**	**1,479.2**	**0.88x**	833.3	1,361.4	0.61x
Group adjustments[(iii)]	**-**	**(1,078.7)**	**-**	-	(845.0)	-
Total	**2,520.8**	**2,375.2**	**1.06x**	1,443.8	2,123.0	0.68x
Associated						
PLDT	**846.5**	**2,251.0**	**0.38x**	1,046.3	2,725.6	0.38x
Philex	**(140.4)**	**283.1**	**-**	(57.2)	204.5	-

(i) Includes pledged deposits
(ii) Calculated as net debt divided by total equity
(iii) Group adjustments mainly represents elimination of goodwill arising from acquisitions prior to 1 January 2001 against the Group's retained earnings and other standard consolidation adjustments to present the Group as a single economic entity.

Head Office's gearing increased principally because of payments for (a) the additional equity investments in and advances to MPIC and (b) investment in a 20.1% interest in Philex. MPIC's gearing decreased principally due to the consolidation of DMWC, despite of an increase in net debt as a result of the payment for the acquisition and consolidation of a 99.8% interest in FPII. Indofood's gearing increased mainly because of an increase in its net debt principally for the payment for the acquisition of a 68.6% interest in Indolakto. PLDT's gearing remained the same as the impact of lower net debt balance was offset by reduced equity due to dividend payments and share buyback.

The Group's gearing increased to 1.06 times level principally as a result of the higher net debt following Indofood's acquisition of Indolakto and MPIC's consolidation of DMWC and acquisition of FPII.

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

Consolidated

	Carrying amounts		Nominal values	
US$ millions	**2008**	2007	**2008**	2007
Within one year	**1,207.0**	1,000.1	**1,207.3**	1,000.4
One to two years	**110.4**	169.8	**111.6**	170.0
Two to five years	**1,311.3**	825.2	**1,321.4**	834.7
Over five years	**530.0**	49.5	**538.7**	49.9
Total	**3,158.7**	2,044.6	**3,179.0**	2,055.0

The change in the Group's debt maturity profile at 31 December 2008 principally reflects (a) Indofood's reclassification of Rupiah 1.0 trillion (US$89.1 million) bond due in June 2009, refinancing of some of its short-term debts arranged for the acquisition of Lonsum by long-term credit facilities, new short-term debts arranged for working capital purposes and the acquisition and consolidation of Indolakto, (b) MPIC's consolidation of DMWC and acquisition and consolidation of FPII and (c) Head Office's short-term borrowings of US$150.0 million in November 2008 for financing its additional equity investments in and advances to MPIC and the investment in Philex.

Associated

	PLDT				Philex			
	Carrying amounts		Nominal values		Carrying amounts		Nominal values	
US$ millions	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Within one year	**315.9**	176.1	**318.3**	178.4	**85.0**	5.0	**85.0**	5.1
One to two years	**155.8**	286.5	**158.8**	288.8	**-**	1.5	**-**	1.5
Two to five years	**559.8**	484.9	**565.1**	490.0	**-**	-	**-**	-
Over five years	**523.9**	521.5	**609.5**	620.1	**-**	-	**-**	-
Total	**1,555.4**	1,469.0	**1,651.7**	1,577.3	**85.0**	6.5	**85.0**	6.6

CHARGES ON GROUP ASSETS

At 31 December 2008, the total borrowings include secured bank and other borrowings of US$1,604.0 million (2007: US$773.6 million). Such bank and other borrowings were secured by the Group's property, plant and equipment, plantations, accounts receivable and inventories equating to a net book value of US$635.2 million (2007: US$658.4 million) and the Group's interest of 17.6% (2007: 13.7%) in PLDT, 8.5% (2007: Nil) in MPIC and 20.1% (2007: Nil) in Philex.

FINANCIAL RISK MANAGEMENT

FOREIGN CURRENCY RISK

(A) Company risk

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

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

With the exception of the Head Office, the principal components of the Group's NAV relate to investments denominated in the peso and rupiah. Accordingly, any change in these currencies, against their respective 31 December 2008 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

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

Company	**Effect on adjusted NAV**[(i)] US$ millions	**Effect on adjusted NAV per share** HK cents
PLDT	22.0	5.34
MPIC	3.9	0.95
Indofood	3.7	0.90
Philex	0.8	0.19
Total	**30.4**	**7.38**

(i) Based on quoted share prices as at 31 December 2008 applied to the Group's economic interest

(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	1,752.4	482.3	924.0	-	**3,158.7**
Cash and cash equivalents[(i)]	(278.1)	(172.2)	(167.2)	(20.4)	**(637.9)**
Net debt/(cash)	1,474.3	310.1	756.8	(20.4)	**2,520.8**
Representing:					
Head Office	734.0	(0.9)	-	(1.8)	**731.3**
MPIC	172.0	311.0	-	-	**483.0**
Indofood	568.3	-	756.8	(18.6)	**1,306.5**
Net debt/(cash)	1,474.3	310.1	756.8	(20.4)	**2,520.8**

Associated

US$ millions	US$	Peso	Others	**Total**
Net debt/(cash)				
PLDT	1,159.2	(309.4)	(3.3)	**846.5**
Philex	(11.6)	(128.8)	-	**(140.4)**

(i) Includes pledged deposits

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

US$ millions	Total US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% currency change	**Group net profit effect**
Head Office[(i)]	734.0	-	734.0	-	**-**
MPIC	172.0	47.2	124.8	1.2	**0.8**
Indofood	568.2	-	568.2	5.7	**2.0**
PLDT	1,159.2	504.6	654.6	6.5	**1.2**
Philex	(11.6)	-	(11.6)	(0.1)	**-**
Total	**2,621.8**	**551.8**	**2,070.0**	**13.3**	**4.0**

(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 values of such investments. In addition, the value of the Company's investments may be impacted by sentiment towards specific countries.

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/ (cash)**
Head Office	-	784.4	(53.1)	**731.3**
MPIC	408.4	269.3	(194.7)	**483.0**
Indofood	270.6	1,426.0	(390.1)	**1,306.5**
Total	679.0	2,479.7	(637.9)	**2,520.8**
Associated				
PLDT	1,061.3	494.1	(708.9)	**846.5**
Philex	-	85.0	(225.4)	**(140.4)**

(i) Includes pledged deposits

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	784.4	7.8	**7.8**
MPIC	269.3	2.7	**1.8**
Indofood	1,426.0	14.3	**5.0**
PLDT	494.1	4.9	**0.9**
Philex	85.0	0.9	**0.1**
Total	3,058.8	30.6	**15.6**

ADJUSTED NAV PER SHARE

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

At 31 December		**2008**	2007
US$ millions	Basis		
PLDT	(i)	**2,200.1**	3,813.0
MPIC	(i)	**388.3**	122.6
Indofood	(i)	**373.4**	1,201.8
Philex	(i)	**80.3**	-
Head Office			
- Receivables	(ii)	**149.2**	138.9
- Net debt		**(731.3)**	(532.4)
- Derivative liability	(iii)	**-**	(6.3)
Total valuation		**2,460.0**	4,737.6
Number of ordinary shares in issue (millions)		**3,213.4**	3,224.1
Value per share			
- U.S. dollar		**0.77**	1.47
- HK dollars		**5.97**	11.46
Company's closing share price (HK$)		**2.69**	6.05
Share price discount to HK$ value per share (%)		**54.9**	47.2

(i) Based on quoted share prices applied to the Group's economic interest
(ii) Represents receivables from MPIC and DMWC
(iii) Represents the fair value of option element embedded in the Exchangeable Notes

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased 17,826,000 ordinary shares on SEHK at an aggregate consideration of HK$78.2 million (US$10.1 million) before expenses. These shares were subsequently cancelled. Details of the repurchase are summarized as follows:

		Purchase price paid per share		Aggregate consideration paid	
Month of repurchases	Number of ordinary shares repurchased	Highest HK$	Lowest HK$	HK$ millions	US$ millions
May 2008	3,320,000	5.50	5.20	17.7	2.3
June 2008	3,152,000	4.83	4.99	15.6	2.0
July 2008	2,226,000	4.62	4.24	10.0	1.3
September 2008	4,392,000	4.50	3.9	18.0	2.3
October 2008	4,736,000	3.88	2.2	16.9	2.2
Total	**17,826,000**			**78.2**	**10.1**

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

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. The Company 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 current financial period, 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 thirteen 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 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.

Connected and continuing connected transactions

The following transactions required scrutiny by the independent shareholders during the period covered by the annual report.

- 30 June 2008: Revision of annual caps for the years 2008 and 2009 and setting of the 2010 annual caps in respect of Indofood's Noodles and Plantations Business Transactions and setting of the annual caps in respect of the Sugar Business Transaction for the years 2008 to 2010.

The Independent Non-executive Directors discussed with the Directors on several occasions to approve the following connected transactions:-

- 3 April 2008: entering into new insurance business transactions with PT. Asuransi Central Asia and PT Central Asia Raya and the setting of annual caps for the years 2008 to 2010.
- 20 May and 10 June 2008: revision of annual caps for the years 2008 to 2009 and setting of the new annual caps for 2010 in respect of Indofood's Noodles, Plantations, Other Packaging, Distribution and Snack Foods businesses. Approval of connected transaction relating to the proposed subscription of new shares representing 60% of the enlarged share capital in the sugar company (PT Lajuperdana Indah).
- 6 August 2008: entering into construction contracts between Maynilad and DMCI Group which were awarded in accordance with Maynilad's open and public bidding process.

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

The Directors (including the Independent Non-executive Directors) considered that the terms of each of the Transactions for the financial year ended 31 December 2008 are fair and reasonable and that they are in the best interests of the Company, Indofood and their respective shareholders.

Risk Management and Internal Control
The Board is responsible for maintaining an adequate system of internal controls in the Group and reviewing its effectiveness through the Audit Committee.

In addition, during the year ended 31 December 2008, the Audit Committee reviewed and advised that:

- The internal controls and accounting systems of the Group function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication and compliant with all relevant laws and regulations.
- There are processes in place for identifying, evaluating and managing the material business risks faced by the Group. Such processes are incorporated in all the Group's businesses.
- There are initiatives to improve certain processes to further strengthen internal controls and enhance risk management within the Group.

AUDIT OPINION
The auditors have expressed an unqualified opinion on the Group's financial statements for the year ended 31 December 2008 in their report dated 25 March 2009.

REVIEW STATEMENT BY THE AUDIT COMMITTEE
The Audit Committee has reviewed the 2008 annual results, including the accounting policies and practices adopted by the Group.

FINAL DIVIDENDS
The Board has recommended a final cash dividend of HK6.00 cents (U.S. 0.77 cent) per ordinary share. Subject to approval by shareholders at the 2009 Annual General Meeting, the final dividend will be paid in the currencies in accordance with the registered address of the shareholders (i.e. HK dollars for Hong Kong, Macau and PRC shareholders, Sterling pounds for UK shareholders and U.S. dollars for shareholders of all other countries). It is expected that the dividend warrants will be dispatched to shareholders on or about Tuesday, 30 June 2009.

CLOSURE OF REGISTER OF MEMBERS
The Register of Members will be closed from Saturday, 30 May 2009 to Wednesday, 3 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 29 May 2009.

ANNUAL REPORT
The 2008 Annual Report will be mailed to shareholders and will be available on the Company's website at www.firstpacco.com before the end of April 2009.

On behalf of the Board of Directors
First Pacific Company Limited
Manuel V. Pangilinan
Managing Director and Chief Executive Officer

25 March 2009

As at the date of this announcement, the Board of Directors of First Pacific comprises the following Directors:

Anthoni Salim, *Chairman*
Manuel V. Pangilinan, *Managing Director and CEO*
Edward A. Tortorici
Robert C. Nicholson
Napoleon L. Nazareno
Ambassador Albert F. del Rosario
Sir David W.C. Tang*, KBE

Tedy Djuhar
Sutanto Djuhar
Ibrahim Risjad
Benny S. Santoso
Graham L. Pickles*
Professor Edward K.Y. Chen*, GBS, CBE, JP

** Independent Non-executive Directors*