FIRST PACIFIC COMPANY LIMITED

(Incorporated with limited liability under the laws of Bermuda)

Website: http://www.firstpacific.com

(Stock code: 00142)

2011 Annual Results - Audited

FINANCIAL HIGHLIGHTS

- Recurring profit improved by 5.2% to US$423.0 million (HK$3,299.4 million) from US$402.1 million (HK$3,136.4 million).
- Profit contribution from operations increased by 8.0% to US$511.8 million (HK$3,992.0 million) from US$474.0 million (HK$3,697.2 million).
- Profit attributable to owners of the parent increased by 48.8% to US$600.9 million (HK$4,687.0 million) from US$403.7 million (HK$3,148.9 million).
- Non-recurring gains of US$179.8 million (HK$1,402.4 million) were recorded compared with non-recurring losses of US$8.8 million (HK$68.6 million).
- Turnover increased by 22.5% to US$5,684.1 million (HK$44,336.0 million) from US$4,640.2 million (HK$36,193.6 million).
- Recurring basic earnings per share (calculated based on recurring profit) increased by 5.4% to U.S. 10.92 cents (HK85.2 cents) from U.S. 10.36 cents (HK80.8 cents).
- A final dividend of HK13.00 cents (U.S. 1.67 cents) (2010: HK12.00 cents or U.S. 1.54 cents) per ordinary share has been recommended, making a total dividend per ordinary share equivalent to HK22.20 cents (U.S. 2.85 cents) (2010: HK19.88 cents or U.S. 2.55 cents) for the full year (including a special dividend of HK1.20 cents (U.S. 0.15 cent) (2010: HK1.88 cents or U.S. 0.24 cent)) or a dividend payout ratio of approximately 26% (2010: 25%) of recurring profit.
- Equity attributable to owners of the parent increased by 17.4% to US$3,022.7 million (HK$23,577.1 million) at 31 December 2011 from US$2,575.2 million (HK$20,086.6 million) at 31 December 2010.
- Consolidated gearing ratio improved to 0.26 times at 31 December 2011 from 0.33 times at 31 December 2010.
- First Pacific's Board of Directors renewed its commitment to shareholder value by building on the existing two-year share repurchase program with an ongoing commitment of 10% of recurring profit being allocated to share repurchases in each financial year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	Notes	2011 US$m	2010 US$m	2011 HK$m*	2010 HK$m*
Turnover	2	**5,684.1**	4,640.2	**44,336.0**	36,193.6
Cost of sales		**(3,910.3)**	(2,992.8)	**(30,500.4)**	(23,343.8)
Gross profit		**1,773.8**	1,647.4	**13,835.6**	12,849.8
Gain on dilutions and disposals, net		**209.9**	22.6	**1,637.2**	176.3
Distribution costs		**(405.2)**	(371.4)	**(3,160.6)**	(2,896.9)
Administrative expenses		**(396.1)**	(357.3)	**(3,089.5)**	(2,787.0)
Other operating income/(expenses), net		**46.8**	(4.5)	**365.1**	(35.1)
Net borrowing costs	3	**(186.6)**	(243.0)	**(1,455.5)**	(1,895.4)
Share of profits less losses of associated companies and joint ventures		**310.4**	284.9	**2,421.1**	2,222.2
Profit before taxation	4	**1,353.0**	978.7	**10,553.4**	7,633.9
Taxation	5	**(217.4)**	(203.2)	**(1,695.7)**	(1,585.0)
Profit for the year		**1,135.6**	775.5	**8,857.7**	6,048.9
Attributable to:					
Owners of the parent	6	**600.9**	403.7	**4,687.0**	3,148.9
Non-controlling interests		**534.7**	371.8	**4,170.7**	2,900.0
		1,135.6	775.5	**8,857.7**	6,048.9
		US¢	US¢	**HK¢***	HK¢*
Earnings per share attributable to owners of the parent	7				
Basic		**15.51**	10.40	**121.0**	81.1
Diluted		**15.29**	10.08	**119.3**	78.6

Details of the dividends payable and proposed for the year are disclosed in Note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	2011 US$m	2010 US$m	2011 HK$m*	2010 HK$m*
Profit for the year	**1,135.6**	775.5	**8,857.7**	6,048.9
Other comprehensive (loss)/income				
Exchange differences on translating foreign operations	**(77.1)**	201.8	**(601.4)**	1,574.1
Unrealized gains on available-for-sale assets	**30.4**	12.3	**237.1**	95.9
Unrealized gains/(losses) on cash flow hedges	**12.2**	(7.2)	**95.2**	(56.2)
Realized losses on cash flow hedges	**1.6**	3.8	**12.5**	29.6
Income tax related to cash flow hedges	**(2.5)**	(1.3)	**(19.5)**	(10.1)
Share of revaluation increment of an associated company's assets	**-**	1.8	**-**	14.1
Other comprehensive (loss)/income for the year, net of tax	**(35.4)**	211.2	**(276.1)**	1,647.4
Total comprehensive income for the year	**1,100.2**	986.7	**8,581.6**	7,696.3
Attributable to:				
Owners of the parent	**596.7**	500.4	**4,654.3**	3,903.1
Non-controlling interests	**503.5**	486.3	**3,927.3**	3,793.2
	1,100.2	986.7	**8,581.6**	7,696.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December	Notes	2011 US$m	2010 US$m	2011 HK$m*	2010 HK$m*
Non-current assets					
Property, plant and equipment		**1,651.7**	1,419.3	**12,883.2**	11,070.5
Plantations		**1,280.9**	1,162.6	**9,991.0**	9,068.3
Associated companies and joint ventures		**3,035.1**	2,439.4	**23,673.8**	19,027.3
Goodwill		**819.6**	817.1	**6,392.9**	6,373.4
Other intangible assets		**2,105.9**	1,960.1	**16,426.0**	15,288.8
Accounts receivable, other receivables and prepayments	9	**32.5**	23.8	**253.5**	185.7
Available-for-sale assets		**33.1**	13.8	**258.2**	107.6
Deferred tax assets		**109.9**	82.8	**857.2**	645.8
Pledged deposits		**11.1**	-	**86.6**	-
Other non-current assets		**236.0**	212.0	**1,840.8**	1,653.6
		9,315.8	8,130.9	**72,663.2**	63,421.0
Current assets					
Cash and cash equivalents		**1,875.4**	1,538.8	**14,628.1**	12,002.6
Pledged deposits and restricted cash		**43.7**	53.4	**340.9**	416.5
Available-for-sale assets		**63.4**	62.8	**494.5**	489.8
Accounts receivable, other receivables and prepayments	9	**581.8**	492.7	**4,538.0**	3,843.1
Inventories		**731.7**	635.5	**5,707.3**	4,956.9
		3,296.0	2,783.2	**25,708.8**	21,708.9
Current liabilities					
Accounts payable, other payables and accruals	10	**796.5**	707.5	**6,212.7**	5,518.5
Short-term borrowings		**1,119.3**	645.4	**8,730.5**	5,034.1
Provision for taxation		**49.6**	54.4	**386.9**	424.3
Current portion of deferred liabilities and provisions		**137.6**	97.5	**1,073.3**	760.5
		2,103.0	1,504.8	**16,403.4**	11,737.4
Net current assets		**1,193.0**	1,278.4	**9,305.4**	9,971.5
Total assets less current liabilities		**10,508.8**	9,409.3	**81,968.6**	73,392.5
Equity					
Issued share capital		**38.5**	39.0	**300.3**	304.2
Retained earnings		**1,284.6**	858.7	**10,019.9**	6,697.9
Other components of equity		**1,699.6**	1,677.5	**13,256.9**	13,084.5
Equity attributable to owners of the parent		**3,022.7**	2,575.2	**23,577.1**	20,086.6
Non-controlling interests		**3,856.5**	3,036.9	**30,080.7**	23,687.8
Total equity		**6,879.2**	5,612.1	**53,657.8**	43,774.4
Non-current liabilities					
Long-term borrowings		**2,575.7**	2,793.8	**20,090.5**	21,791.6
Deferred liabilities and provisions		**607.2**	573.1	**4,736.1**	4,470.2
Deferred tax liabilities		**446.7**	430.3	**3,484.2**	3,356.3
		3,629.6	3,797.2	**28,310.8**	29,618.1
		10,508.8	9,409.3	**81,968.6**	73,392.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$ millions	Equity attributable to owners of the parent												
	Issued share capital	Share premium	Share options issued	Exchange reserve	Unrealized gains on available-for-sale assets	Unrealized (losses)/ gains on cash flow hedges	Income tax related to cash flow hedges	Differences arising from changes in equities of subsidiary companies	Capital and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	38.6	1,245.9	43.1	1.2	22.4	(1.2)	0.3	-	9.5	556.4	1,916.2	2,122.9	4,039.1
Profit for the year	-	-	-	-	-	-	-	-	-	403.7	403.7	371.8	775.5
Other comprehensive income/(loss) for the year	-	-	-	94.5	5.3	(3.6)	(1.3)	-	1.8	-	96.7	114.5	211.2
Total comprehensive income for the year	-	-	-	94.5	5.3	(3.6)	(1.3)	-	1.8	403.7	500.4	486.3	986.7
Issue of shares upon the exercise of share options	0.7	27.1	(8.9)	-	-	-	-	-	-	-	18.9	-	18.9
Repurchase and cancellation of shares	(0.3)	-	-	-	-	-	-	-	0.3	(22.4)	(22.4)	-	(22.4)
Equity-settled share option arrangements	-	-	6.6	-	-	-	-	-	-	-	6.6	0.2	6.8
2009 final dividend	-	-	-	-	-	-	-	-	-	(39.6)	(39.6)	-	(39.6)
2010 interim dividend	-	-	-	-	-	-	-	-	-	(29.9)	(29.9)	-	(29.9)
2010 special dividend	-	-	-	-	-	-	-	-	-	(9.5)	(9.5)	-	(9.5)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(82.4)	(82.4)
Disposal of an associated company	-	-	(0.6)	(0.3)	-	-	-	-	-	-	(0.9)	-	(0.9)
Acquisition of subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	5.0	5.0
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	-	-	-	-	234.7	-	-	234.7	504.9	739.6
Acquisition of interests in subsidiary companies by associated companies	-	-	-	-	-	-	-	0.7	-	-	0.7	-	0.7
Balance at 31 December 2010	39.0	1,273.0	40.2	95.4	27.7	(4.8)	(1.0)	235.4	11.6	858.7	2,575.2	3,036.9	5,612.1
Balance at 1 January 2011	39.0	1,273.0	40.2	95.4	27.7	(4.8)	(1.0)	235.4	11.6	858.7	2,575.2	3,036.9	**5,612.1**
Profit for the year	-	-	-	-	-	-	-	-	-	600.9	600.9	534.7	**1,135.6**
Other comprehensive (loss)/income for the year	-	-	-	(39.7)	23.8	14.2	(2.5)	-	-	-	(4.2)	(31.2)	**(35.4)**
Total comprehensive income for the year	-	-	-	(39.7)	23.8	14.2	(2.5)	-	-	600.9	596.7	503.5	**1,100.2**
Issue of shares upon the exercise of share options	0.2	16.2	(5.4)	-	-	-	-	-	-	-	11.0	-	**11.0**
Repurchase and cancellation of shares	(0.7)	-	-	-	-	-	-	-	0.7	(69.4)	(69.4)	-	**(69.4)**
Equity-settled share option arrangements	-	-	4.9	-	-	-	-	-	-	-	4.9	0.3	**5.2**
2010 final dividend	-	-	-	-	-	-	-	-	-	(60.0)	(60.0)	-	**(60.0)**
2011 interim dividend	-	-	-	-	-	-	-	-	-	(39.6)	(39.6)	-	**(39.6)**
2011 special dividend	-	-	-	-	-	-	-	-	-	(6.0)	(6.0)	-	**(6.0)**
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(138.1)	**(138.1)**
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	(1.3)	-	-	-	13.2	-	-	11.9	453.9	**465.8**
Dilution and divestment of interests in associated companies	-	-	-	(2.0)	-	-	-	-	-	-	(2.0)	-	**(2.0)**
Balance at 31 December 2011	**38.5**	**1,289.2**	**39.7**	**52.4**	**51.5**	**9.4**	**(3.5)**	**248.6**	**12.3**	**1,284.6**	**3,022.7**	**3,856.5**	**6,879.2**

HK$ millions*	Equity attributable to owners of the parent												
	Issued share capital	Share premium	Share options issued	Exchange reserve	Unrealized gains on available-for-sale assets	Unrealized (losses)/ gains on cash flow hedges	Income tax related to cash flow hedges	Differences arising from changes in equities of subsidiary companies	Capital and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	301.1	9,718.0	336.2	9.4	174.7	(9.3)	2.3	-	74.1	4,339.9	14,946.4	16,558.6	31,505.0
Profit for the year	-	-	-	-	-	-	-	-	-	3,148.9	3,148.9	2,900.0	6,048.9
Other comprehensive income/(loss) for the year	-	-	-	737.1	41.3	(28.1)	(10.1)	-	14.0	-	754.2	893.2	1,647.4
Total comprehensive income for the year	-	-	-	737.1	41.3	(28.1)	(10.1)	-	14.0	3,148.9	3,903.1	3,793.2	7,696.3
Issue of shares upon the exercise of share options	5.5	211.4	(69.5)	-	-	-	-	-	-	-	147.4	-	147.4
Repurchase and cancellation of shares	(2.4)	-	-	-	-	-	-	-	2.4	(174.7)	(174.7)	-	(174.7)
Equity-settled share option arrangements	-	-	51.5	-	-	-	-	-	-	-	51.5	1.5	53.0
2009 final dividend	-	-	-	-	-	-	-	-	-	(308.9)	(308.9)	-	(308.9)
2010 interim dividend	-	-	-	-	-	-	-	-	-	(233.2)	(233.2)	-	(233.2)
2010 special dividend	-	-	-	-	-	-	-	-	-	(74.1)	(74.1)	-	(74.1)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(642.7)	(642.7)
Disposal of an associated company	-	-	(4.7)	(2.3)	-	-	-	-	-	-	(7.0)	-	(7.0)
Acquisition of subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	39.0	39.0
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	-	-	-	-	1,830.7	-	-	1,830.7	3,938.2	5,768.9
Acquisition of interests in subsidiary companies by associated companies	-	-	-	-	-	-	-	5.4	-	-	5.4	-	5.4
Balance at 31 December 2010	304.2	9,929.4	313.5	744.2	216.0	(37.4)	(7.8)	1,836.1	90.5	6,697.9	20,086.6	23,687.8	43,774.4
Balance at 1 January 2011	304.2	9,929.4	313.5	744.2	216.0	(37.4)	(7.8)	1,836.1	90.5	6,697.9	20,086.6	23,687.8	**43,774.4**
Profit for the year	-	-	-	-	-	-	-	-	-	4,687.0	4,687.0	4,170.7	**8,857.7**
Other comprehensive (loss)/income for the year	-	-	-	(309.6)	185.7	110.7	(19.5)	-	-	-	(32.7)	(243.4)	**(276.1)**
Total comprehensive income for the year	-	-	-	(309.6)	185.7	110.7	(19.5)	-	-	4,687.0	4,654.3	3,927.3	**8,581.6**
Issue of shares upon the exercise of share options	1.6	126.3	(42.1)	-	-	-	-	-	-	-	85.8	-	**85.8**
Repurchase and cancellation of shares	(5.5)	-	-	-	-	-	-	-	5.5	(541.3)	(541.3)	-	**(541.3)**
Equity-settled share option arrangements	-	-	38.2	-	-	-	-	-	-	-	38.2	2.4	**40.6**
2010 final dividend	-	-	-	-	-	-	-	-	-	(468.0)	(468.0)	-	**(468.0)**
2011 interim dividend	-	-	-	-	-	-	-	-	-	(308.9)	(308.9)	-	**(308.9)**
2011 special dividend	-	-	-	-	-	-	-	-	-	(46.8)	(46.8)	-	**(46.8)**
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,077.2)	**(1,077.2)**
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	(10.2)	-	-	-	103.0	-	-	92.8	3,540.4	**3,633.2**
Dilution and divestment of interests in associated companies	-	-	-	(15.6)	-	-	-	-	-	-	(15.6)	-	**(15.6)**
Balance at 31 December 2011	**300.3**	**10,055.7**	**309.6**	**408.8**	**401.7**	**73.3**	**(27.3)**	**1,939.1**	**96.0**	**10,019.9**	**23,577.1**	**30,080.7**	**53,657.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2011 US$m	2010 US$m	2011 HK$m*	2010 HK$m*
Profit before taxation		**1,353.0**	978.7	**10,553.4**	7,633.9
Adjustments for:					
Interest expenses	3	**255.5**	274.9	**1,992.9**	2,144.2
Depreciation	4	**127.4**	119.0	**993.7**	928.2
Amortization of other intangible assets	4	**84.1**	71.9	**656.0**	560.8
Foreign exchange and derivative losses/(gains), net	4	**12.6**	(9.5)	**98.3**	(74.1)
Impairment losses	4	**6.6**	1.4	**51.5**	10.9
Equity-settled share option expense		**4.8**	7.2	**37.4**	56.2
Share of profits less losses of associated companies and joint ventures		**(310.4)**	(284.9)	**(2,421.1)**	(2,222.2)
(Gain)/loss on dilution of interests in associated companies, net	4	**(209.9)**	0.4	**(1,637.2)**	3.1
Interest income	3	**(68.9)**	(31.9)	**(537.4)**	(248.8)
Gain on changes in fair value of plantations	4	**(48.5)**	(34.0)	**(378.3)**	(265.2)
Preferred share dividend income from a joint venture	4	**(6.5)**	(8.3)	**(50.7)**	(64.7)
Gain on sale of property, plant and equipment	4	**(5.4)**	(5.8)	**(42.1)**	(45.2)
Gain on disposal of an associated company	4	**-**	(21.2)	**-**	(165.4)
Gain on disposal of a joint venture	4	**-**	(1.8)	**-**	(14.0)
Dividend income from available-for-sale assets	4	**-**	(0.1)	**-**	(0.8)
Others		**(8.0)**	(8.7)	**(62.4)**	(68.0)
		1,186.4	1,047.3	**9,254.0**	8,168.9
Increase in accounts payable, other payables and accruals		**100.0**	232.5	**780.0**	1,813.5
Decrease/(increase) in accounts receivable, other receivables and prepayments (Non-current)		**4.7**	(27.5)	**36.6**	(214.5)
Increase in accounts receivable, other receivables and prepayments (Current)		**(107.6)**	(58.7)	**(839.3)**	(457.9)
Increase in inventories		**(103.6)**	(58.3)	**(808.1)**	(454.7)
(Increase)/decrease in other non-current assets		**(21.0)**	98.0	**(163.8)**	764.4
Net cash generated from operations		**1,058.9**	1,233.3	**8,259.4**	9,619.7
Interest received		**70.0**	29.7	**546.0**	231.7
Interest paid		**(256.6)**	(211.0)	**(2,001.5)**	(1,645.8)
Taxes paid		**(229.8)**	(232.1)	**(1,792.4)**	(1,810.4)
Net cash flows from operating activities		**642.5**	819.9	**5,011.5**	6,395.2
Dividends received from associated companies		**259.5**	238.2	**2,024.1**	1,858.0
Proceeds from sale of property, plant and equipment		**10.8**	10.4	**84.2**	81.1
Preferred share dividends received from a joint venture		**6.5**	8.3	**50.7**	64.7
Proceeds from disposal of available-for-sale assets		**1.2**	-	**9.4**	-
Proceeds from disposal of plantations		**0.2**	-	**1.6**	-
Increased investments in associated companies		**(476.6)**	(59.4)	**(3,717.5)**	(463.3)
Purchase of property, plant and equipment		**(255.7)**	(243.0)	**(1,994.5)**	(1,895.4)
Investments in other intangible assets		**(204.4)**	(198.3)	**(1,594.3)**	(1,546.7)
Investments in plantations		**(101.6)**	(72.4)	**(792.5)**	(564.7)
Acquisition of subsidiary companies		**(8.8)**	(5.9)	**(68.6)**	(46.0)
Acquisition of available-for-sale assets		**(5.7)**	-	**(44.5)**	-
Decrease in loan receivables		**-**	248.8	**-**	1,940.6
Proceeds from disposal of an associated company		**-**	23.3	**-**	181.7
Proceeds from disposal of a joint venture		**-**	5.4	**-**	42.1
Proceeds from disposal of assets held for sale		**-**	1.1	**-**	8.6
Dividends from available-for-sale assets		**-**	0.1	**-**	0.8
Net cash flows used in investing activities		**(774.6)**	(43.4)	**(6,041.9)**	(338.5)
Proceeds from new borrowings		**1,168.2**	1,364.9	**9,112.0**	10,646.2
Proceeds from shares issued to non-controlling interests by subsidiary companies		**479.5**	671.7	**3,740.1**	5,239.3
Proceeds from divestment of interests in subsidiary companies		**13.1**	85.4	**102.2**	666.1
Proceeds from the issue of shares upon the exercise of share options		**11.0**	20.3	**85.8**	158.3
Borrowings repaid		**(861.2)**	(1,960.3)	**(6,717.4)**	(15,290.4)
Dividends paid to non-controlling shareholders by subsidiary companies		**(138.1)**	(82.4)	**(1,077.2)**	(642.7)
Dividends paid to shareholders		**(105.6)**	(79.0)	**(823.7)**	(616.2)
Repurchase of shares		**(69.4)**	(22.1)	**(541.3)**	(172.4)
Increased investments in subsidiaries' companies		**(11.2)**	(40.1)	**(87.4)**	(312.8)
Repurchase of subsidiary companies' shares		**(9.5)**	-	**(74.1)**	-
Increase in pledged deposits and restricted cash		**(1.4)**	(23.2)	**(10.9)**	(180.9)
(Increase)/decrease in time deposits with original maturity of more than three months		**(0.4)**	53.9	**(3.1)**	420.4
Proceeds from sale of treasury shares by a subsidiary company		**-**	19.1	**-**	149.0
Investment in preferred shares of a joint venture		**-**	(146.5)	**-**	(1,142.7)
Net cash flows from/(used in) financing activities		**475.0**	(138.3)	**3,705.0**	(1,078.8)
Net increase in cash and cash equivalents		**342.9**	638.2	**2,674.6**	4,977.9
Cash and cash equivalents at 1 January		**1,538.7**	883.9	**12,001.8**	6,894.4
Exchange translation		**(6.7)**	16.6	**(52.2)**	129.5
Cash and cash equivalents at 31 December		**1,874.9**	1,538.7	**14,624.2**	12,001.8
Representing					
Cash and cash equivalents		**1,875.4**	1,538.8	**14,628.1**	12,002.6
Less time deposits with original maturity of more than three months		**(0.5)**	(0.1)	**(3.9)**	(0.8)
Cash and cash equivalents at 31 December		**1,874.9**	1,538.7	**14,624.2**	12,001.8

Notes:-

1. **Impact of new and revised Hong Kong Financial Reporting Standards**

During 2011, the Group has adopted the following new and revised Hong Kong Financial Reporting Standards (HKFRSs) (which include all HKFRSs, Hong Kong Accounting Standards (HKASs) and Hong Kong (International Financial Reporting Interpretations Committee)-Interpretations (HK(IFRIC)-Ints)) issued by the Hong Kong Institute of Certified Public Accountants for the first time for the current year's financial statements:

HKAS 24 (Revised)	"Related Party Disclosures" (i)
HKFRS 1 Amendment	"Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters" (ii)
HK(IFRIC)-Int 14 Amendments	"Prepayments of a Minimum Funding Requirement" (i)
HK(IFRIC)-Int 19	"Extinguishing Financial Liabilities with Equity Instruments" (ii)
Improvements to HKFRSs	"Improvements to HKFRSs 2010" (iii)

(i) Effective for annual periods commencing on or after 1 January 2011
(ii) Effective for annual periods commencing on or after 1 July 2010
(iii) Generally effective for annual periods commencing on or after 1 January 2011, unless otherwise stated in the specific HKFRSs

The adoption of the above pronouncements has had no effect on both the profit attributable to owners of the parent for the years ended 31 December 2011 and 31 December 2010 and the equity attributable to owners of the parent at 31 December 2011 and 31 December 2010, but only results in certain changes in the Group's accounting policy in respect of the definition of related parties and, hence, its scope of disclosure for transactions with related parties in the financial statements.

HKAS 24 (Revised) (a) clarifies the definition of a related party as a person or an entity that is related to the reporting entity which is preparing its financial statements, (b) simplifies the identification of such relationships and (c) eliminates inconsistencies in application. The new definitions of related parties emphasize a symmetrical view of related party relationships and clarify in which circumstances persons and key management personnel affect related party relationships of an entity. The revised standard also provides a partial exemption of disclosure requirements for government-related entities.

2. **Turnover and segmental information**

For the year ended 31 December	**2011 US$m**	2010 US$m	**2011 HK$m***	2010 HK$m*
Turnover				
Sale of goods	**5,063.5**	4,118.8	**39,495.3**	32,126.7
Rendering of services	**620.6**	521.4	**4,840.7**	4,066.9
Total	**5,684.1**	4,640.2	**44,336.0**	36,193.6

Segmental information

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

The Board of Directors considers the business from both product or service and geographical perspectives. From the product or service perspective, the Group business interests are divided into four main segments, which are telecommunications, infrastructure, consumer food products and natural resources. Geographically, the Board of Directors considers the businesses of the Group are operating in the Philippines and Indonesia.

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

The revenue, results and other information for the years ended 31 December 2011 and 2010, and total assets and total liabilities at 31 December 2011 and 2010 regarding the Group's reportable businesses are as follows.

By principal business activity - 2011

For the year ended/at 31 December	The Philippines Telecom-munications US$m	The Philippines Infrastructure US$m	The Philippines Natural Resources US$m	Indonesia Consumer Food Products US$m	Head Office US$m	**2011 Total US$m**	**2011 Total HK$m***
Revenue							
Turnover	-	510.4	-	5,173.7	-	**5,684.1**	**44,336.0**
Results							
Recurring profit	215.0	68.2	50.1	178.5	(88.8)	**423.0**	**3,299.4**
Assets and liabilities							
Associated companies and joint ventures	1,547.8	799.8	677.6	9.9	-	**3,035.1**	**23,673.8**
Other assets	-	2,771.3	-	6,693.6	111.8	**9,576.7**	**74,698.2**
Total assets	1,547.8	3,571.1	677.6	6,703.5	111.8	**12,611.8**	**98,372.0**
Borrowings	-	912.9	-	1,509.3	1,272.8	**3,695.0**	**28,821.0**
Other liabilities	-	765.4	-	1,159.0	113.2	**2,037.6**	**15,893.2**
Total liabilities	-	1,678.3	-	2,668.3	1,386.0	**5,732.6**	**44,714.2**
Other information							
Depreciation and amortization	-	(73.1)	-	(139.0)	(4.2)	**(216.3)**	**(1,687.1)**
Impairment losses	-	(4.6)	-	(2.0)	-	**(6.6)**	**(51.5)**
Interest income	-	16.0	-	51.4	1.5	**68.9**	**537.4**
Interest expenses	-	(88.0)	-	(100.7)	(66.8)	**(255.5)**	**(1,992.9)**
Share of profits less losses of associated companies and joint ventures	203.3	50.4	55.9	(0.1)	0.9	**310.4**	**2,421.1**
Taxation	-	(9.6)	-	(189.3)	(18.5)	**(217.4)**	**(1,695.7)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	338.8	384.0	-	342.5	0.9	**1,066.2**	**8,316.4**

By principal business activity - 2010

For the year ended/at 31 December	The Philippines Telecom-munications US$m	The Philippines Infrastructure US$m	The Philippines Natural Resources US$m	Indonesia Consumer Food Products US$m	Head Office US$m	2010 Total US$m	2010 Total HK$m*
Revenue							
Turnover	-	412.2	-	4,228.0	-	4,640.2	36,193.6
Results							
Recurring profit	224.1	46.9	30.9	172.1	(71.9)	402.1	3,136.4
Assets and liabilities							
Associated companies and joint ventures	1,078.9	751.5	606.0	3.0	-	2,439.4	19,027.3
Other assets	-	2,199.5	-	5,999.8	275.4	8,474.7	66,102.7
Total assets	1,078.9	2,951.0	606.0	6,002.8	275.4	10,914.1	85,130.0
Borrowings	-	741.9	-	1,593.4	1,103.9	3,439.2	26,825.7
Other liabilities	-	608.6	-	1,144.0	110.2	1,862.8	14,529.9
Total liabilities	-	1,350.5	-	2,737.4	1,214.1	5,302.0	41,355.6
Other information							
Depreciation and amortization	-	(57.0)	-	(134.3)	(6.8)	(198.1)	(1,545.2)
Impairment losses	-	(0.2)	-	(1.2)	-	(1.4)	(10.9)
Interest income	-	12.7	-	18.1	1.1	31.9	248.8
Interest expenses	-	(92.8)	-	(129.2)	(52.9)	(274.9)	(2,144.2)
Share of profits less losses of associated companies and joint ventures	242.8	11.2	32.9	(2.2)	0.2	284.9	2,222.2
Taxation	-	(2.3)	-	(181.9)	(19.0)	(203.2)	(1,585.0)
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	243.6	-	294.7	-	538.3	4,198.7

3. **Net borrowing costs**

For the year ended 31 December	**2011 US$m**	2010 US$m	**2011 HK$m***	2010 HK$m*
Total borrowing costs	**255.5**	274.9	**1,992.9**	2,144.2
Less: interest income	**(68.9)**	(31.9)	**(537.4)**	(248.8)
Net borrowing costs	**186.6**	243.0	**1,455.5**	1,895.4

4. **Profit before taxation**

For the year ended 31 December	**2011 US$m**	2010 US$m	**2011 HK$m***	2010 HK$m*
Profit before taxation is stated after (charging)/crediting				
Cost of inventories sold	**(2,803.2)**	(2,079.6)	**(21,865.0)**	(16,220.9)
Employees' remuneration	**(511.3)**	(463.1)	**(3,988.1)**	(3,612.2)
Cost of services rendered	**(207.0)**	(176.3)	**(1,614.6)**	(1,375.1)
Depreciation	**(127.4)**	(119.0)	**(993.7)**	(928.2)
Amortization of other intangible assets	**(84.1)**	(71.9)	**(656.0)**	(560.8)
Foreign exchange and derivative (losses)/gains, net	**(12.6)**	9.5	**(98.3)**	74.1
Operating lease rentals				
- Land and buildings	**(12.0)**	(10.6)	**(93.6)**	(82.7)
- Hire of plant and equipment	**(10.1)**	(8.6)	**(78.8)**	(67.1)
Auditors' remuneration				
- Audit services	**(4.9)**	(3.5)	**(38.2)**	(27.3)
- Other services(i)	**(0.2)**	(0.8)	**(1.6)**	(6.2)
Impairment losses				
- Accounts receivable(ii)	**(4.1)**	(0.2)	**(32.0)**	(1.6)
- Associated companies and joint ventures(iii)	**(2.0)**	-	**(15.6)**	-
- Property, plant and equipment(iii)	**(0.5)**	-	**(3.9)**	-
- Goodwill(ii)	**-**	(1.2)	**-**	(9.3)
Gain/(loss) on dilution of interests in associated companies, net	**209.9**	(0.4)	**1,637.2**	(3.1)
Gain on changes in fair value of plantations	**48.5**	34.0	**378.3**	265.2
Preferred share dividend income from a joint venture	**6.5**	8.3	**50.7**	64.7
Gain on sale of property, plant and equipment	**5.4**	5.8	**42.1**	45.2
Gain on disposal of an associated company	**-**	21.2	**-**	165.4
Gain on disposal of a joint venture	**-**	1.8	**-**	14.0
Gain on change in fair value of assets held for sale	**-**	0.8	**-**	6.2
Dividend income from available-for-sale assets	**-**	0.1	**-**	0.8

(i) Excludes an amount of US$1.0 million (HK$7.8 million) (2010: US$1.2 million or HK$9.4 million) which has been charged directly to equity under differences arising from changes in equities of subsidiary companies
(ii) Included in distribution costs
(iii) Included in other operating income/(expenses), net

5. **Taxation**

No Hong Kong profits tax (2010: Nil) has been provided as the Group had no estimated assessable profits (2010: 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	**2011 US$m**	2010 US$m	**2011 HK$m***	2010 HK$m*
Subsidiary companies - overseas				
Current taxation	**216.1**	198.2	**1,685.6**	1,546.0
Deferred taxation	**1.3**	5.0	**10.1**	39.0
Total	**217.4**	203.2	**1,695.7**	1,585.0

Included within the share of profits less losses of associated companies and joint ventures is taxation of US$135.5 million (HK$1,056.9 million) (2010: US$99.8 million or HK$778.4 million) and which is analyzed as follows.

For the year ended 31 December	**2011 US$m**	2010 US$m	**2011 HK$m***	2010 HK$m*
Associated companies and joint ventures - overseas				
Current taxation	**135.2**	90.5	**1,054.6**	705.9
Deferred taxation	**0.3**	9.3	**2.3**	72.5
Total	**135.5**	99.8	**1,056.9**	778.4

6. **Profit attributable to owners of the parent**

The profit attributable to owners of the parent includes US$7.1 million (HK$55.4 million) of net foreign exchange and derivative losses (2010: US$2.8 million or HK$21.8 million of gains), which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and payables and the changes in the fair values of derivatives, US$5.2 million (HK$40.6 million) (2010: US$7.6 million or HK$59.3 million) of gain on changes in fair value of plantations and US$179.8 million (HK$1,402.4 million) of net non-recurring gains (2010: US$8.8 million or HK$68.6 million of net non-recurring losses).

Analysis of foreign exchange and derivative (losses)/gains

For the year ended 31 December	**2011**	2010	**2011**	2010
	US$m	US$m	**HK$m***	HK$m*
Foreign exchange and derivative (losses)/gains				
- Subsidiary companies	**(12.6)**	9.5	**(98.3)**	74.1
- Associated companies and joint ventures	**(1.2)**	1.8	**(9.4)**	14.0
Subtotal	**(13.8)**	11.3	**(107.7)**	88.1
Attributable to taxation and non-controlling interests	**6.7**	(8.5)	**52.3**	(66.3)
Total	**(7.1)**	2.8	**(55.4)**	21.8

2011's non-recurring gains of US$179.8 million (HK$1,402.4 million) mainly represent the Group's gain on dilution of a 3.4% interest in PLDT as a result of PLDT's issuance of new shares to acquire Digitel in October 2011 (US$210.0 million or HK$1,638.0 million), partly offset by PLDT's impairment provisions mainly as a result of Smart's network modernization (US$42.2 million or HK$329.2 million). 2010's non-recurring losses of US$8.8 million (HK$68.6 million) mainly represent the Group's share of Meralco's non-recurring losses, and provision and write-off of certain assets, partly offset by the Group's gain on disposal of its interest in an associated company.

Included in the profit attributable to owners of the parent for the year ended 31 December 2011 is a profit of US$19.3 million (HK$150.5 million) (2010: US$55.7 million or HK$434.5 million) attributable to the Company.

7. **Earnings per share attributable to owners of the parent**

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the parent of US$600.9 million (HK$4,687.0 million) (2010: US$403.7 million or HK$3,148.9 million) and the weighted average number of ordinary shares of 3,874.6 million (2010: 3,880.4 million) in issue during the year.

The calculation of diluted earnings per share is based on: (a) the profit for the year attributable to owners of the parent of US$600.9 million (HK$4,687.0 million) (2010: US$403.7 million or HK$3,148.9 million) reduced by the dilutive impacts of (i) US$1.5 million (HK$11.7 million) (2010: US$5.8 million or HK$45.2 million) in respect of the conversion of convertible bonds issued by a subsidiary company and (ii) US$0.3 million (HK$2.3 million) (2010: US$4.3 million or HK$33.5 million) in respect of the exercise of share options issued by its subsidiary and associated companies and (b) a share base equal to the aggregate of the weighted average number of ordinary shares of 3,874.6 million (2010: 3,880.4 million) in issue during the year (as used in the basic earnings per share calculation) and the weighted average number of ordinary shares of 43.5 million (2010: 24.8 million) assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the year.

8. **Ordinary share dividends**

	Per ordinary share				Total			
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	US¢	US¢	**HK¢***	HK¢*	**US$m**	US$m	**HK$m***	HK$m*
Interim	**1.03**	0.77	**8.00**	6.00	**39.6**	29.9	**308.9**	233.2
Special	**0.15**	0.24	**1.20**	1.88	**6.0**	9.5	**46.8**	74.1
Proposed final	**1.67**	1.54	**13.00**	12.00	**64.2**	60.0	**500.7**	468.0
Total	**2.85**	2.55	**22.20**	19.88	**109.8**	99.4	**856.4**	775.3

In connection with the global offering carried out by PT Salim Ivomas Pratama Tbk (SIMP), a subsidiary company of Indofood, in June 2011, the Company was required, under Practice Note 15 (PN15) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the Listing Rules), to subscribe and distribute a certain number of new SIMP shares to its shareholders. For the purpose of meeting the requirement of PN15, the Company subscribed for 47,448,000 SIMP shares which represented approximately 1.5% of the total number of offered shares and declared a special dividend, payable to shareholders by way of a distribution in specie on the basis of 24 SIMP shares for every 2,000 ordinary shares of the Company held by them. Each qualifying shareholder holding 2,000 ordinary shares or more of the Company might elect to receive cash in lieu of the distributable SIMP shares as calculated by making reference to the SIMP offer price of Rupiah 1,100 (U.S. 12.9 cents or HK$1.00) per share. The distribution in specie is equivalent to U.S. 0.15 cent (HK1.20 cents) per ordinary share of the Company. The special dividend was distributed to the shareholders on 8 August 2011.

In connection with the global offering carried out by PT Indofood CBP Sukses Makmur Tbk (ICBP), a subsidiary company of Indofood, in October 2010, the Company was required, under PN15 of the Listing Rules, to subscribe and distribute a certain number of new ICBP shares to its shareholders. For the purpose of meeting the requirement of PN15, the Company subscribed for 17,492,500 ICBP shares which represented 1.5% of the total number of offered shares and declared a special dividend, payable to shareholders by way of a distribution in specie on the basis of eight ICBP shares for every 2,000 ordinary shares of the Company held by them. Each qualified shareholder holding 2,000 ordinary shares or more of the Company might elect to receive cash in lieu of the distributable ICBP shares as calculated by making reference to the ICBP offer price of Rupiah 5,395 (U.S. 60.6 cents or HK$4.70) per share. The distribution in specie is equivalent to U.S. 0.24 cent (HK1.88 cents) per ordinary share of the Company. The special dividend was distributed to the shareholders on 6 December 2010.

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

9. **Accounts receivable, other receivables and prepayments**

Included in accounts receivable, other receivables and prepayments are accounts receivable of US$371.1 million (HK$2,894.6 million) (2010: US$299.7 million or HK$2,337.7 million), with an ageing profile as below.

At 31 December	**2011 US$m**	2010 US$m	**2011 HK$m***	2010 HK$m*
0 to 30 days	**335.1**	271.5	**2,613.8**	2,117.7
31 to 60 days	**11.7**	12.5	**91.3**	97.5
61 to 90 days	**8.3**	4.7	**64.7**	36.7
Over 90 days	**16.0**	11.0	**124.8**	85.8
Total	**371.1**	299.7	**2,894.6**	2,337.7

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

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

Included in accounts payable, other payables and accruals are accounts payable of US$234.2 million (HK$1,826.8 million) (2010: US$211.1 million or HK$1,646.6 million), with an ageing profile as below.

At 31 December	**2011 US$m**	2010 US$m	**2011 HK$m***	2010 HK$m*
0 to 30 days	**221.2**	188.5	**1,725.4**	1,470.3
31 to 60 days	**1.9**	10.6	**14.8**	82.7
61 to 90 days	**1.5**	7.9	**11.7**	61.6
Over 90 days	**9.6**	4.1	**74.9**	32.0
Total	**234.2**	211.1	**1,826.8**	1,646.6

11. **Contingent liabilities**

At 31 December 2011, except for US$85.1 million (HK$663.8 million) (2010: US$68.6 million or HK$535.1 million) guarantees given by Indofood for loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of fresh fruit bunches to Indofood, the Group had no significant contingent liability (2010: Nil).

12. **Employee information**

For the year ended 31 December	**2011 US$m**	2010 US$m	**2011 HK$m***	2010 HK$m*
Employee's remuneration (including Directors' remuneration)	**511.3**	463.1	**3,988.1**	3,612.2

Number of employees	**2011**	2010
At 31 December	**73,582**	70,525
Average for the year	**71,457**	70,121

13. **Approval of the consolidated financial statements**

The audited consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on 20 March 2012.

* *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

First Pacific Group companies continued to grow and strengthened their market positions during the year. Consolidated contribution from operations increased 8% to US$511.8 million. PLDT, MPIC, Indofood and Philex declared dividends which enabled First Pacific's Board of Directors to recommend an increase in its final dividend of 8% in line with its improvement in recurring profit and its commitment to distribute at least 25% of recurring profit to shareholders as dividends.

Below is an analysis of results by individual company.

Contribution Summary

For the year ended 31 December US$ millions	Turnover **2011**	 2010	Contribution to Group profit[(i)] **2011**	 2010
PLDT[(ii)]	**-**	-	**215.0**	224.1
MPIC	**510.4**	412.2	**68.2**	46.9
Indofood	**5,173.7**	4,228.0	**178.5**	172.1
Philex[(ii)]	**-**	-	**50.1**	30.9
Contribution from operations[(iii)]	**5,684.1**	4,640.2	**511.8**	474.0
Head Office items:				
- Corporate overhead			**(22.1)**	(20.9)
- Net interest expense			**(64.2)**	(45.0)
- Other expenses			**(2.5)**	(6.0)
Recurring profit[(iv)]			**423.0**	402.1
Foreign exchange and derivative (losses)/gains[(v)]			**(7.1)**	2.8
Gain on changes in fair value of plantations			**5.2**	7.6
Non-recurring items[(vi)]			**179.8**	(8.8)
Profit attributable to owners of the parent			**600.9**	403.7

(i) After taxation and non-controlling interests, where appropriate
(ii) Associated companies
(iii) Contribution from operations represents the recurring profit contributed to the Group by its operating companies.
(iv) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative losses/gains, gain on changes in fair value of plantations and non-recurring items.
(v) Foreign exchange and derivative losses/gains represent the losses/gains 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.
(vi) Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. 2011's non-recurring gains of US$179.8 million mainly represent the Group's gain on dilution of a 3.4% interest in PLDT as a result of PLDT's issuance of new shares to acquire Digitel in October 2011 (US$210.0 million), partly offset by PLDT's impairment provisions mainly as a result of Smart's network modernization (US$42.2 million). 2010's non-recurring losses of US$8.8 million mainly represent the Group's share of Meralco's non-recurring losses, and provision and write-off of certain assets, partly offset by the Group's gain on disposal of its interest in an associated company.

Turnover ↑ 23%
- to US$5,684.1 million from US$4,640.2 million
- owing to increased turnover at Indofood and MPIC

Recurring profit ↑ 5%
- to US$423.0 million from US$402.1 million
- due to increased contribution from MPIC, Philex and Indofood
- offset by a decrease in contribution from PLDT owing to increased competition, particularly in the second half of 2011

Non-recurring gains
- US$179.8 million
- principally reflecting a gain on 3.4% dilution of the Group's interest in PLDT, net of the Group's share of impairment provisions for Smart network assets of US$42.2 million

Reported profit ↑ 49%
- to US$600.9 million from US$403.7 million
- reflecting an increase in recurring profit and non-recurring gain in 2011

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

Exchange rates against the U.S. dollar

At 31 December	**2011**	2010	One year change
Closing			
Peso	**43.84**	43.84	-
Rupiah	**9,068**	8,991	-0.8%

Exchange rates against the U.S. dollar

For the year ended 31 December	**2011**	2010	One year change
Average			
Peso	**43.24**	45.04	+4.2%
Rupiah	**8,762**	9,083	+3.7%

During 2011, the Group recorded net foreign exchange and derivative losses of US$7.1 million (2010: gains of US$2.8 million), which can be further analyzed as follows:

US$ millions	**2011**	2010
Head Office	**(2.7)**	(3.0)
PLDT	**(0.6)**	2.1
MPIC	**(2.1)**	0.1
Indofood	**(1.6)**	4.3
Philex	**(0.1)**	(0.7)
Total	**(7.1)**	2.8

Additional Investments

Additional investments made or announced in 2011:

Telecommunications

- On 29 March, 2011, PLDT announced an agreement to acquire approximately 52% of Digital Telecommunications Philippines, Inc. ("Digitel"), its convertible bonds and certain advances for a consideration of Pesos 69.2 billion (US$1.6 billion) payable in shares of PLDT to J.G. Summit. The transaction was completed in October 2011.
- On 29 March 2011, Metro Pacific Resources, Inc., a Philippine affiliate of First Pacific, announced an agreement to buy 5.8 million shares in PLDT for a consideration of Pesos 14.5 billion (US$338.8 million) from J.G. Summit to limit the dilution of the Group's (including the Philippine affiliates) status as the largest shareholder in PLDT. This was completed in November 2011.

Infrastructure

- Beacon Electric acquired an additional 10.6% of Meralco for a consideration of Pesos 30.3 billion (US$700.7 million).
- MPIC acquired 100% interest in Colinas Verdes Hospital Managers Corporation for a consideration of Pesos 300 million (US$6.9 million).
- MPIC acquired a 51.9% interest in Asian Hospital, Inc. ("AHI") for a consideration of Pesos 1.3 billion (US$30.5 million), accompanied by an offer from MPIC to all other AHI shareholders to buy their shares on similar terms.

Natural Resources

- Philex acquired 5% in Lepanto Consolidated Mining Corporation for a consideration of Pesos 1.4 billion (US$32.4 million). Lepanto has a 40% interest in the Far Southeast Gold Project.
- Philex acquired an initial 5% in Kalayaan Copper Gold Resources, Inc., a joint venture with Manila Mining Corporation, for a consideration of US$25.0 million. In addition, Philex expects to earn a further 55% interest in Kalayaan by sole-funding exploration all expenses for the Kalayaan project.

Capital Management

Dividend

First Pacific's Board of Directors recommended a final dividend of HK 13.00 cents (U.S. 1.67 cents) per share, up 8% from HK 12.00 cents (1.54 U.S. cents) per share a year earlier and bringing the regular dividend to HK 21 cents (U.S. 2.70 cents), up 17% from HK 18 cents (U.S. 2.31 cents) per share in 2010. The regular dividend represents a payout of 25% of recurring profit to shareholders, a commitment made two years ago when First Pacific announced its full-year 2009 results. A special dividend of HK 1.20 cents (U.S. 0.15 cents) per share was paid in a distribution in specie following the listing of PT Salim Ivomas Pratama Tbk (a plantation company controlled by Indofood) in the Indonesia Stock Exchange. Taken together, the special and full-year regular dividends amount to 26% of 2011 recurring earnings per share of HK 22.2 cents (U.S. 2.85 cents).

Looking ahead, the Board has confirmed that capital allocation will remain as a combination of dividends and share repurchases taking into consideration of Head Office's finances and investment plans.

Share Repurchase Program

In June 2010, the Board approved a two-year program to buy back up to US$130 million of First Pacific shares by way of "on-market repurchases". As at 20 March 2012, a total of US$107.3 million has been invested in the repurchases for a total of 116.9 million shares at an average price of HK$7.12 (US$0.9) per share since the program was announced.

Going forward, the Board renewed its commitment to shareholder value by building on the existing two-year share repurchase program with an ongoing commitment of 10% of recurring profit be allocated to share repurchases in each financial year. Like the two-year program it replaces, the renewed share buyback is conditional on the state of financial markets, economic conditions affecting Group companies, and on potential opportunities for mergers and acquisitions.

Debt Profile

At 31 December 2011, gross debt at the Head Office stood at US$1.3 billion, of which approximately 70% is fixed-rate or hedged borrowing and the average maturity is approximately 5.3 years.

Net interest expense increased 43% during the year to US$64.2 million as a result of a higher average debt level and higher interest rates on debts with longer average maturities.

Interest Cover

For the year, Head Office's recurring operating cash inflow before interest expenses was approximately US$304 million and cash interest payments were approximately US$71 million. Cash interest cover stood at approximately 4.3 times.

Foreign Currency Hedging

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

Interest Rate Hedging

As at 31 December 2011, approximately 30% of the Head Office's borrowings were on a floating rate basis after all hedging arrangements. Fixed rate borrowings comprise approximately 54% of Head Office borrowings. To manage the interest rate risk for the other floating rate debts, interest rate swap contracts were entered to hedge another 16% of the Head Office borrowings.

2012 Outlook

Each of First Pacific's operating companies expressed varying degrees of cautious optimism regarding the outlook for 2012. PLDT is focused on the simultaneous tasks of integrating Digitel into its business and rolling out a Pesos 67 billion capital expenditure program. Profitability at PLDT is expected to remain under severe pressure in 2012 before returning to growth a year later. MPIC continues to explore for opportunities to invest in infrastructure in the Philippines but has been hampered by high asking prices and a slower-than-expected rollout of the Philippine Government's public-private partnership programs in infrastructure. Indofood looks forward to increasing sales growth but remains under strong competitive pressures as its Agribusiness focuses on growth. Philex continues to investigate new investment possibilities as it proceeds with the development of the Silangan copper and gold mining project and further exploring its existing tenements for growth.

PLDT

PLDT contributed a profit of US$215.0 million to the Group (2010: US$224.1 million). This represents approximately 42% (2010: 47%) of First Pacific's aggregate contribution derived from the operations of subsidiary and associated companies for 2011. The 4% decline in profit contribution (after the impact of an approximately 4% appreciation of the average Peso rate against the U.S. dollar) was principally due to lower service revenues in peso terms, partly offset by higher equity share in earnings of Meralco/Beacon Electric and lower provision for income tax.

Consolidated core net income ↓ 7%	• to Pesos 39.0 billion (US$901.9 million) from Pesos 42.0 billion (US$932.5 million) • largely on account of lower services revenues • higher operating expenses • partially offset by higher equity share in earnings of Meralco/Beacon Electric and lower provision for income taxes
Reported net income ↓ 21%	• to Pesos 31.7 billion (US$733.1 million) from Pesos 40.2 billion (US$892.5 million) • largely due to decline in core net income by Pesos 3.0 billion (US$30.6 million) • asset impairment higher by Pesos 5.0 billion (US$117.9 million) • net forex and derivative gains lower by Pesos 0.5 billion (US$10.9 million)
Consolidated service revenues ↓ 2%	• to Pesos 154.0 billion (US$3.6 billion) from Pesos 156.2 billion (US$3.5 billion) • mainly in the wireless business due to heightened industry competition • partly offset by higher revenues from the business process outsourcing business • and the Pesos 3.8 billion (US$87.9 million) contribution representing two months of Digitel • 2011 and 2010 service revenues were adjusted to reflect the change in the presentation of outbound revenues
EBITDA ↓ 4%	• to Pesos 80.0 billion (US$1.9 billion) from Pesos 83.7 billion (US$1.9 billion) • due to lower service revenues • higher operating expenses, primarily wireless selling and promotions and subsidies as part of PLDT's response to the competitive environment
EBITDA margin	• to 52% from 54% reckoned against the revised presentation of consolidated service revenues • largely due to the decline in EBITDA • impacted by the consolidation of Digitel's EBITDA margin of 28% from 26 October 2011
Consolidated free cash flow ↑ 8%	• to Pesos 47.2 billion (US$1,091.6 million) from Pesos 43.7 billion (US$970.2 million) • resulting from higher cash from operations of Pesos 79.2 billion (US$1.8 billion) compared with Pesos 77.3 billion (US$1.7 billion) in 2010 • due in part to a decline in net interest expenses to Pesos 4.0 billion (US$92.5 million) from Pesos 4.4 billion (US$97.7 million) • partly offset by an increase in capex to Pesos 31.2 billion (US$721.6 million) from Pesos 28.8 billion (US$639.4 million)
Consolidated debt (gross)	• at US$2.7 billion from US$2.1 billion as at 31 December 2010 • due to the consolidation of US$0.5 billion of Digitel debt
Consolidated net debt	• at US$1.7 billion from US$1.3 billion
Net debt/EBITDA	• at 0.9 times

Capital Management

Dividend

For the fifth consecutive year in fiscal 2011, PLDT's dividends are equivalent to 100% of its core net income. PLDT's Board of Directors declared a final regular dividend of Pesos 63 (US$1.46) per share, fulfilling PLDT's commitment to pay out a minimum ratio of 70% of core net income. In addition, the Board of PLDT, consistent with its year-end "look back" approach, approved a special dividend of Pesos 48 (US$1.11) per share thus making for a total of Pesos 111 (US$2.57) per share with a payment date of 20 April 2012. Added to the interim dividend of Pesos 78 (US$1.80) per share paid in August 2011, total dividends for the year will amount to Pesos 189 (US$4.37) per share, representing a payout of 100% of 2011 core net income.

Share Buyback

In 2008, PLDT's board approved a share buyback program of up to 5 million shares. As of 31 December 2011, PLDT had bought back 2.7 million shares into treasury at an average cost of Pesos 2,388 (US$55) per share. Under the approved share buyback program, PLDT may still acquire up to 2.3 million shares from the market on an opportunistic basis.

Acquisition of Digitel

On 29 March 2011, PLDT announced an agreement to acquire JG Summit's ("JGS") ownership in Digital Telecommunications Philippines, Inc. ("Digitel"), the third-largest telecommunications company in the Philippines, which operates wireless and fixed line businesses. The acquisition included 51.6% of the issued common stock of Digitel, as well as zero-coupon convertible bonds issued by Digitel and its subsidiary to JGS, which are convertible into approximately 18.6 billion common shares of Digitel assuming a conversion date of 30 June 2011 and at an exchange rate of Pesos 43.405 per US dollar; and intercompany advances made by JGS to Digitel in the total principal amount plus accrued interest of P34.1 billion (US$0.8 billion) as at December 2010, for a total of Pesos 69.1 billion (US$1.6 billion). The transaction closed on 26 October 2011 and a tender offer was undertaken wherein PLDT offered the same terms to all minority shareholders in Digitel, offering to pay them with cash or new PLDT shares. The tender offer completed on 16 January 2012.

With the acquisition of Digitel, PLDT has fortified the platform which will allow it to leverage the combined expertise of the PLDT Group and Digitel to expand and enhance its products offerings which should allow PLDT's revenues to grow.

PLDT owns approximately 99.4% of Digitel as at 20 March 2012.

Wireless

PLDT Group's combined cellular subscriber base grew by 40% to 63.7 million (31 December 2010: 45.6 million) representing approximately 68% of the total cellular market in the Philippines based on subscribers and approximately 67% in terms of revenues at the end of 2011. Smart and Digitel's combined postpaid subscriber base stood at 1.9 million, the biggest in the Philippine market.

At the end of December 2011, the cellular SIM penetration rate in the Philippines was approximately 97%. About 97% of PLDT Group's subscribers are prepaid. Smart's net blended prepaid and postpaid average revenue per user ("ARPU") decline 11% year-on-year to Pesos 155 (US$3.58).

Combined broadband subscribers – Digital Subscriber Line ("DSL") fixed and wireless – grew 45% year-on-year to over 2.9 million, inclusive of about 0.6 million Digitel broadband subscribers. This accounted for approximately 52% of the broadband market in the Philippines. Total DSL, wireless broadband and internet service revenues were up 18% to Pesos 18.8 billion (US$434.8 million) with DSL ARPU at approximately Pesos 1,132 (US$26.18) and net blended wireless ARPU at Pesos 362 (US$8.37).

Wireless service revenues ↓ 2%	• to Pesos 102.1 billion (US$2.4 billion) from Pesos 104.0 billion (US$2.3 billion) • due largely to a 7% decline in Smart's voice revenues to Pesos 42.3 billion (US$978.3 million) from Pesos 45.7 billion (US$1.0 billion) • a 3% decline in cellular data revenues to Pesos 46.0 billion (US$1.1 billion) from Pesos 47.2 billion (US$1.0 billion) • offset in part by the addition of Pesos 3.1 billion (US$71.7 million) in revenues from Digitel from 26 October 2011 • and a 91% increase in mobile internet browsing revenues to Pesos 1.6 billion (US$37.0 million) from Pesos 0.9 billion (US$20.0 million)
Wireless EBITDA ↓ 6%	• to Pesos 55.4 billion (US$1.3 billion) from Pesos 59.0 billion (US$1.3 billion) • mainly due to lower revenues and higher cash operating expenditure, consisting of selling and promotions and subsidies, in response to competition, particularly in the second half of 2011 • offset in part by the addition of Pesos 1.1 billion (US$25.4 million), in EBITDA from Digitel from 26 October 2011
EBITDA margin	• to 54% from 57% • resulting from decline in EBITDA • partially owing to Digitel's EBITDA margin of 28% on consolidation
Net blended ARPU ↓ 11%	• to Pesos 155 (US$3.58) from Pesos 175 (US$3.89)

Smart continues to invest in its cellular and multi-platform broadband networks while upgrading its existing transmission, core and access facilities. Smart's 3G and fixed wireless broadband networks now cover 70% of the country's population.

Fixed Line

The number of PLDT fixed line subscribers grew 19% to 2.2 million at the end of 2011, inclusive of approximately 0.3 million Digitel fixed line subscribers.

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

Fixed line service revenue ↓ 1%	• to Pesos 58.8 billion (US$1.4 billion) from Pesos 59.1 billion (US$1.3 billion) • the strong peso impacted the business unfavorably with approximately 30% of fixed line service revenues being dollar-denominated or dollar-linked. Had the Peso remained stable, service revenues would have been higher by Pesos 0.7 billion (US$16.2 million). • service revenues from local exchange, national long distance and international long distance revenues declined 3% to Pesos 31.9 billion (US$737.7 million) from Pesos 32.9 billion (US$730.5 million) • DSL service revenues rose 17% to Pesos 9.7 billion (US$224.3 million) from Pesos 8.3 billion (US$184.3 million) • third-party corporate data revenues rose 13% to Pesos 7.1 billion (US$164.2 million) from Pesos 6.3 billion (US$139.9 million) • inclusive of Pesos 700 million (US$16.2 million)
Fixed line EBITDA ↓ 1%	• to Pesos 22.7 billion (US$525.0 million) from Pesos 23.0 billion (US$510.7 million) • due to higher cash operating expenditure
EBITDA margin	• stable at 39%

The fixed line network is being upgraded to an all-IP next generation network (NGN) which will enable PLDT to offer improved voice, data, and other services.

Business Process Outsourcing (BPO)

In 2011, PLDT consolidated at SPi Global its business process outsourcing (BPO) operations consisting of knowledge process solutions (KPS) and customer interaction solutions (CIS), previously under ePLDT. All other information and communications technology businesses of ePLDT including data center operations, internet and online gaming services and business solutions and applications were transferred to and are now reported under PLDT's fixed line business.

Service revenues ↑6%	• to Pesos 8.6 billion (US$198.6 million) from Pesos 8.1 billion (US$180.1 million) • due largely to a 8% rise in KPS service revenues to Pesos 5.7 billion (US$131.8 million) from Pesos 5.3 billion (US$117.7 million)
EBITDA ↑23%	• to Pesos 1.6 billion (US$37.0 million) from Pesos 1.3 billion (US$28.9 million) • mainly due to the increase in service revenues • partly offset by a 3% increase in cash operating expenses
EBITDA margin	• to 18% from 16% • driven by better seat utilization, more automation and tighter focus on cost-cutting

SPi is focusing on creating end-to-end BPO solutions through consolidation, with the end of accelerating growth in all three of its verticals - call center, healthcare and content solutions.

Meralco

PLDT Communications and Energy Ventures, Inc. ("PCEV"), a 99.5% owned subsidiary of Smart, owns 50% of Beacon Electric, a special purpose company jointly owned with MPIC. In turn, Beacon Electric owns about 48% of Meralco as at 20 March 2012, an increase from approximately 45% at the end of 2011. Meralco, the largest electricity distribution utility in the Philippines, has a franchise that allows it to distribute electricity in most of Luzon until 2028. The franchise area produces nearly half of the Philippines' gross domestic product. Meralco accounts for approximately 56% of total electricity sales in the Philippines. To help manage the high cost of power and in search of new sources of growth, Meralco is investing in power generation. It recently entered into a joint venture with the Aboitiz unit Therma Power Inc. and Taiwan Cogeneration Corp. to build two 300 MW of coal-fired base load plants with operations commencing in 2016.

Details of Meralco's performance in 2011 can be found in the MPIC section of this report.

2012 Outlook

The assimilation of Digitel/Sun Cellular into the PLDT Group and the benefits that will arise from such integration will take some time to complete because of the PLDT Group's size and complexity. PLDT is encouraged by the opportunities for both synergy and growth following the acquisition. There will be quick wins in 2012 which could help efficiencies and productivity in the short-term. The more significant benefits, especially to the bottom line, will take time to realize. 2012 is expected to be a year of alignment where PLDT will implement a number of requisite changes amid heightened competition as broadband continues to grow strongly. Core net income guidance for 2012 is lower at Pesos 37.0 billion (US$844.0 million), with return to the upward growth curve starting 2013.

Reconciliation of reported results between PLDT and First Pacific

PLDT's operations are principally denominated in peso, which averaged Pesos 43.24 (2010: 45.04) 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	**2011**	2010
Net income under Philippine GAAP	**31,697**	40,217
Preference dividends[(i)]	**(599)**	(458)
Net income attributable to common shareholders	**31,098**	39,759
Differing accounting and presentational treatments[(ii)]		
- Reclassification of non-recurring items	**7,212**	2,169
- Others	**(2,765)**	(3,429)
Adjusted net income under Hong Kong GAAP	**35,545**	38,499
Foreign exchange and derivative losses/(gains) [(iii)]	**126**	(358)
PLDT's net income as reported by First Pacific	**35,671**	38,141
US$ millions		
Net income at prevailing average rates for 2011: Pesos 43.24 and 2010: Pesos 45.04	**825.0**	846.8
Contribution to First Pacific Group profit, at an average shareholding of 2011: 26.1% and 2010: 26.5%	**215.0**	224.1

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

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

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2011 of Pesos 7.2 billion (2010: Pesos 2.2 billion) represents asset impairment provisions of Pesos 7.0 billion (2010: Pesos 1.5 billion) and share of Meralco's non-recurring losses of Pesos 0.5 billion (2010: Pesos 0.7 billion), partly offset by gains on disposal of subsidiaries of Pesos 0.3 billion (2010: Nil).*
- *Others: The adjustment principally relates to the accrual of withholding tax on PLDT's net income in accordance with the requirements of HKAS 12 "Income Taxes".*

(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

MPIC's infrastructure portfolio comprises the following assets offering water distribution, toll roads, electricity distribution and hospital services:
(Note: Below are ownership levels as of February 2012)

- 50.0% in Beacon Electric Asset Holdings Inc ("Beacon Electric") which owns 48.0% of Manila Electric Company ("Meralco")
- 56.8% in Maynilad Water Services, Inc. ("Maynilad')
- 99.8% in Metro Pacific Tollways Corporation ("MPTC") which owns 67.1% of Manila North Tollways Corporation ("MNTC") and 45.9% of Tollways Management Corporation ("TMC")
- 34.5% in Medical Doctors, Inc. ("MDI")
- 100% of Colinas Verdes Hospital Managers Corporation ("CVHMC"), the operator of Cardinal Santos Medical Center ("CSMC")
- 34.9% in Davao Doctors Hospital, Inc. ("DDH")
- 51.0% in Riverside Medical Center, Inc. ("RMCI")
- 100% in East Manila Hospital Managers Corporation ("EMHMC"), the operator of Our Lady of Lourdes Hospital ("OLLH")
- 56.5% in Asian Hospital, Inc. ("AHI"), which owns 100% of Asian Hospital and Medical Center

MPIC's contribution to the Group rose 45.4% to US$68.2 million (2010: US$46.9 million) reflecting higher contribution from all its businesses.

Consolidated core net income ↑ 32%	• to Pesos 5.1 billion (US$118.0 million) from Pesos 3.9 billion (US$85.6 million) • Maynilad, Meralco, MPTC and Hospitals accounted for 48%, 26%, 22% and 4%, respectively, of MPIC consolidated profit contribution from operations • reflecting a 30% rise in contribution from Maynilad to Pesos 3.1 billion (US$71.7 million) from Pesos 2.4 billion (US$53.2 million) on higher tariffs and water sales • a 13% increase in contribution from Meralco to Pesos 1.7 billion (US$39.0 million) from Pesos 1.5 billion (US$33.0 million) on higher tariffs • a 2% rise in contribution from MPTC to Pesos 1.5 billion (US$33.6 million) from Pesos 1.4 billion (US$31.8 million) • and a 44% rise in contribution from Hospitals to Pesos 248 million (US$5.7 million) from Pesos 172 million (US$3.8 million)
Revenues ↑ 19%	• to Pesos 22.1 billion (US$510.4 million) from Pesos 18.6 billion (US$412.2 million) • reflecting improved performances from Maynilad and acquisitions in the hospital division
Consolidated reported net income ↑ 76%	• to Pesos 5.1 billion (US$117.0 million) from Pesos 2.9 billion (US$63.7 million) • due largely to a higher profit contribution from operations and a 63% decline in head office interest expense to Pesos 416 million (US$9.6 million) from Pesos 1.1 billion (US$25.1 million) • offset in part by a 95% increase in head office expense to Pesos 973 million (US$22.5 million) from Pesos 498 million (US$11.1 million)
Consolidated debt ↑ 23%	• to Pesos 40.0 billion (US$912.9 million) from Pesos 32.5 billion (US$741.9 million) • largely due to increased borrowings at Maynilad and MPTC to fund expansion projects

Dividend
The MPIC Board of Directors declared a final cash dividend of Peso 0.015 (U.S. 0.034 cent) per share, bringing full-year dividends to Peso 0.025 (U.S. 0.057 cent) per share.

Maynilad
Maynilad operates a concession that runs until 2037 for water distribution and sewerage for the western half of Metro Manila, with a population of 9.5 million. During MPIC's operation of Maynilad, pipeline network expansion and leak repair have reduced the unserved population in the concession area to 8% and cut the underserved population to 4%.

Total billed water volume ↑ 8%	• to 405 million cubic meters from 374 million cubic meters
Total billed customers ↑ 11%	• to 1,005,350 from 903,682 • reflecting new pipeline connections

Average non-revenue water ↓ 11%	• to 47.8% from 53.5% • 42.2% in December 2011 • repaired 38,832 leaks during the year, coupled with pipe rehabilitation and more efficient management of water pressure and supply, resulted in the recovery of over 155 million liters per day (MLD) of water compared with 2010
Revenues ↑ 14%	• to Pesos 13.8 billion (US$318.4 million) from Pesos 12.0 billion (US$267.5 million) • reflecting an 8% rise in billed volume to 405 million cubic meters from 374 million cubic meters, additional water service connections, a higher average tariff and increased income from sewerage services
Core net income ↑ 24%	• to Pesos 6.0 billion (US$138.8 million) from Pesos 4.8 billion (US$106.6 million) • owing largely to higher tariffs and revenues • reduction in interest expense to Pesos 1.9 billion (US$43.9 million) from Pesos 2.1 billion (US$46.6 million)
Core EBITDA ↑ 19%	• to Pesos 9.4 billion (US$217.4 million) from Pesos 7.9 billion (US$175.4 million)
Reported net income ↑ 23%	• to Pesos 5.9 billion (US$136.4 million) from Pesos 4.8 billion (US$106.6 million)

Putatan is the first alternative water source to the Angat Dam and is the largest membrane-based water treatment plant in the Philippines. It is a vital part of Maynilad's plan to develop alternative sources of water to ensure long-term water security for its customers. Putatan's daily water treatment capacity has been increased to 100 MLD from 25 MLD in July 2010.

Meralco

The volume of electricity sold by Meralco rose 1.1% to 30,592 GWh with growth driven by the commercial and industrial segments offset by lower residential electricity demand, reflecting cooler weather for most of the year. System loss declined to a record low of 7.35%, resulting from Meralco's continuing efforts to institutionalize loss-reduction initiatives by improving pilferage management and expanding its partnership with local government units as part of system loss management in high-density residential areas.

Revenues ↑ 7%	• to Pesos 256.8 billion (US$5.9 billion) from Pesos 240.9 billion (US$5.3 billion) • reflecting higher average transmission and distribution charges and a 1.1% increase in energy sales to 30,592 GWh • slightly offset by lower generation charge, taxes, universal and system loss charges
Core net income ↑ 22%	• to record high Pesos 14.9 billion (US$344.6 million) from Pesos 12.2 billion (US$270.9 million) • due largely to higher tariffs
Core EBITDA margin	• increase from 10.2% to 10.5% • on higher average tariffs
Consolidated debt ↑ 15%	• to Pesos 24.4 billion (US$556.6 million) from Pesos 21.2 billion (US$483.6 million) • reflecting increased borrowings to finance capital expenditure

Meralco's wholly-owned subsidiary Meralco PowerGen Corp. has taken a majority interest in Redondo Peninsula Energy, Inc. with partners Aboitiz unit Therma Power Inc. and Taiwan Cogeneration Corp. RP Energy will build two 300 MW coal-fired base-load power generation plants with the first expected to start operation in 2016.

Looking ahead, Meralco is focused on capturing a greater share of the electricity business and providing greater service efficiencies to all consumers – commercial, residential and industrial. This will be achieved through its relentless pursuit of efficiency as an electricity distributor and entry into power generation and retail electricity sales.

MPTC

MPTC, through its 67.1% interest in MNTC and 45.9% interest in TMC, operates the North Luzon Expressway ("NLEX"), the Subic Clark Tarlac Expressway ("SCTEX") and the Subic Freeport Expressway. The concession for NLEX runs until 2037 and for SCTEX until 2043.

Revenues ↑ 10%	• to Pesos 6.5 billion (US$149.5 million) from Pesos 5.9 billion (US$130.1 million) • owing to a 12% tariff increase in the NLEX closed system and a 14% increase for most of the vehicles in the NLEX open system in January 2011 • partially offset by a decline in average daily vehicle entries to 158,342 from 159,882 in NLEX • and a decline in average daily kilometers travelled to 3.01 million km from 3.12 million km in the NLEX closed system
Core net income ↑ 1%	• to Pesos 1.48 billion (US$34.2 million) from Pesos 1.47 billion (US$32.6 million) • due largely to increase in revenues reflecting higher tariffs, partly offset by the impact of the expiration of income tax holiday in December 2010
Core EBITDA ↑ 12%	• to Pesos 4.1 billion (US$94.8 million) from Pesos 3.7 billion (US$82.1 million) • due to control of operating and maintenance costs along with increase in share in earnings of TMC
Reported net income ↑ 26%	• to Pesos 1.3 billion (US$30.1 million) from Pesos 996 million (US$22.1 million) • due largely to a 53% decline in non-recurring expenses to Pesos 222 million (US$5.1 million) from Pesos 469 million (US$10.4 million) reflecting a reversal of prior year provision for input value added taxes

Completion of a detailed engineering study in December 2010 for the building of Segments 9 and 10 – collectively called the Harbour Link – paves the way for the extension of NLEX to the Port Area of Manila, with construction beginning by the fourth quarter of 2012 and expected to be completed at the end of 2015. The Harbour Link will promote commerce by allowing 24-hour access for commercial vehicles to the Port Area to and from NLEX, while reducing travel time for motorists accessing NLEX from Western Metro Manila.

Segment 11, or the Connector Road Project, aims to improve convenience for all motorists by slashing the travel time between the Northern and Southern toll road systems to no more than 20 minutes from well over an hour today. In detail, Segment 11 is a 13.5-kilometer, four-lane elevated expressway that will be routed over the existing Philippine National Railway tracks to reduce right-of-way issues. It will connect the Harbour Link to South Luzon Expressway/Skyway via Buendia Avenue in Makati City.

The Harbour Link and Connector Road projects will see MPTC invest a total of Pesos 34 billion (US$775.5 million) to complete construction. The integration of SCTEX with NLEX is on track for taking place within 12 months of turnover. Once SCTEX is integrated with NLEX, motorists traveling between the two toll roads will enjoy seamless travel to Northern Luzon.

Hospitals
MPIC is developing the Philippines' first premier portfolio of hospitals to deliver world-class services including diagnostic, therapeutic and preventive medicine services through all three major island groupings of the country. The Hospital group now comprises Makati Medical Center, Cardinal Santos Medical Center, Our Lady of Lourdes Hospital and Asian Hospital in Metro Manila, as well as Riverside Medical Center in Bacolod and Davao Doctors Hospital in Davao.

The MPIC hospital division's total bed capacity rose 13% to 1,812 beds at the end of 2011 compared to a year earlier. There were a total of 4,333 accredited medical doctors and consultants as well as 3,705 students at the end of the year.

Revenues ↑ 21%	• to Pesos 8.5 billion (US$196.6 million) from Pesos 7.0 billion (US$155.4 million) • due to a 23% increase in revenues from CSMC, 6% from MDI and 2% from DDH • owing to the consolidation of RMCI from May 2010 and OLLH from October 2010
Core EBITDA ↑ 28%	• to Pesos 1.6 billion (US$37.0 million) from Pesos 1.3 billion (US$28.9 million) • due to the full-year accounting of contribution from RMCI and OLLH • partially offset by reduced earnings at MMC and DDH due to an 18% decline in enrollees in schools to 3,705 students from 4,545
Core net income ↑ 16%	• to Pesos 559 million (US$12.9 million) from Pesos 480 million (US$10.7 million) • growth restrained in part because of higher income tax as a result of inability to claim tax deductions for Senior Citizens' discounts

The hospital division continues to invest in improving infrastructure, equipment and facilities, leveraging its technical and professional expertise to expand services and enhance operational efficiency across its hospitals. It continues to evaluate opportunities for expansion through the acquisition of additional hospitals in strategic areas of the Philippines, aiming for a size of 3,000 beds across 15 hospitals.

2012 Outlook

Earnings at MPIC are expected to continue growing in 2012 as each of the four operating groups deliver increases in revenues and core net income. In addition, MPIC continues to investigate investment opportunities in the infrastructure space, including but not limited to toll roads and light rail.

In 2012 Meralco expects to see a 3% rise in electricity sales and a flat distribution tariff with capital expenditure rising to Pesos 11.9 billion (US$271.4 million) from Pesos 8.7 billion (US$201.2 million) in 2011. Of the 600 MW in already-announced power generation projects, the first coal-fired power plant is expected to come on stream by 2016 followed by the second in 2017. Meralco is also negotiating a 460 MW plant coming on line by 2017 and evaluating projects amounting to 1,500 MW that would be online by 2018. Meralco is also studying the acquisition of surrounding distribution concessions and is finalizing power supply contracts.

Maynilad has implemented a 9.7% increase in the all-in tariff effective January 2012 that is expected to help support earnings growth. In addition, it is forecasting an 8% growth in billed volume as well as Pesos 8.4 billion (US$191.6 million) of capital expenditure. Maynilad is also evaluating potential acquisitions in bulk water and distribution. Looking further ahead, Maynilad management are preparing for a new rate rebasing scheduled to begin in January 2013 following submission of a business plan by Maynilad, regulatory review and public consultation.

The toll roads division forecasts a 3% traffic growth for NLEX in 2012 and a 6% for SCTEX. The latter highway will see a 19% tariff increase effective from April 2012. Overall, the division forecasts capital expenditure of Pesos 1.1 billion (US$25.1 million), including the beginning of construction on Segment 9 in the fourth quarter of 2012. MPTC is currently awaiting a Swiss Challenge as early as the fourth quarter of 2012 to its proposal to build a 13.5-km Connector Road between the North Luzon and South Luzon Expressways at an estimated cost of Pesos 23 billion (US$524.6 million) with completion targeted by 2016. It is evaluating acquisition opportunities in the Southern toll road system and is actively studying bidding for the CALA Expressway project. MPTC is also pursuing other potential toll road investments in the Philippines.

The hospital division will be boosted by the full-year impact of CSMC and AHI on its earnings. It aims to acquire one or two additional hospitals in 2012 and spend Pesos 1.8 billion (US$41.1 million) on capital expenditure to ensure all hospitals within the division are equipped to the same standards and use economies of scale in the acquisition of capital equipment and perishable supplies.

Reconciliation of reported results between MPIC and First Pacific

MPIC's operations are principally denominated in peso, which averaged Pesos 43.24 (2010: 45.04) 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	**2011**	2010
Net income under Philippine GAAP	**5,059**	2,871
Differing accounting and presentational treatments(i)		
- Reclassification of non-recurring items	**(109)**	994
- Others	**(7)**	(58)
Adjusted net income under Hong Kong GAAP	**4,943**	3,807
Foreign exchange and derivative losses/(gains)(ii)	**151**	(9)
MPIC's net income as reported by First Pacific	**5,094**	3,798
US$ millions		
Net income at prevailing average rates for 2011: Pesos 43.24 and 2010: Pesos 45.04	**117.8**	84.3
Contribution to First Pacific Group profit, at an average shareholding of 2011: 57.9% and 2010: 55.6%	**68.2**	46.9

(i) *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 2011 of Pesos 109 million principally represents share of Meralco's actuarial gains on defined benefit pension plans of Pesos 758 million, partly offset by share of Meralco's non-recurring losses of Pesos 289 million, MPTC's loan pre-termination expenses of Pesos 221 million and expenses in relation to Maynilad's early retirement program of Pesos 113 million. Adjustment for 2010 of Pesos 994 million principally represents share of Meralco's non-recurring losses.*
- *Others: The adjustment principally relates to 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 HK (IFRIC)-Int 15 "Agreements for the Construction of Real Estate" 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.*

(ii) *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

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

Indofood's contribution to the Group increased 4% to US$178.5 million (2010: US$172.1 million) principally reflecting a 4% appreciation of the average Rupiah rate against the dollar.

Consolidated net sales ↑ 18%	• to Rupiah 45.3 trillion (US$5.2 billion) from Rupiah 38.4 trillion (US$4.2 billion) • resulting from higher sales across the Strategic Business Groups (CBP, Bogasari, Agribusiness and Distribution)
Gross profit margin	• to 27.8% from 32.5% • mainly due to higher input costs
Consolidated operating expenses ↓ 7%	• to Rupiah 5.7 trillion (US$650.5 million) from Rupiah 6.2 trillion (US$689.6 million) • mainly as goodwill is no longer amortized in relation to the implementation of new accounting standards in Indonesia effective in 1 January 2011
EBIT margin	• to 15.1% from 16.4% • mainly due to higher input costs despite lower operating expense
Core net income ↑ 6%	• to Rupiah 3.2 trillion (US$360.3 million) from Rupiah 3.0 trillion (US$328.1 million)
Net income ↑ 4%	• to Rupiah 3.1 trillion (US$351.2 million) from Rupiah 3.0 trillion (US$325.1 million)
Net gearing ↓	• to 0.02 times from 0.16 times at the end of 2010 on receipt of proceeds from the listing of SIMP

Debt Profile

As at the end of December 2011, Indofood recorded a gross debt of Rupiah 13.7 trillion (US$1.5 billion), down from Rupiah 14.3 trillion (US$1.6 billion) as at the end of 2010. Of this total, Rupiah 8.0 trillion (US$0.9 billion) matures within one year. The remaining Rupiah 5.7 trillion (US$0.6 billion) matures between 2013 and 2018.

Consumer Branded Products ("CBP")

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

Indofood's Noodles division is one of the world's largest producers of instant noodles. It has 15 production plants in Indonesia and one in Malaysia with a combined annual production capacity of around 15.7 billion packs per year. Indomie, Supermi, Sarimi, Sakura, Pop Mie, Pop Bihun and Mi Telur Cap 3 Ayam are popular Indofood brands.

The Dairy division, Indolakto, is one of the largest dairy products manufacturers in Indonesia with the flagship brand Indomilk encompassing sweetened condensed milk, UHT milk, sterilized bottled milk, pasteurized liquid milk as well as powdered milk, ice cream, yogurt drinks and butter. Consumption per capita for dairy products in Indonesia remains low at around 11 liters per year. In conjunction with increasing consumer awareness of the nutritional value of dairy products, demand continued to grow during the year. To meet increasing demand, Indolakto is building a new factory with completion coming in stages starting in 2012.

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

The Snack Foods division maintained its leadership position through its leading brands Chitato and Lays (potato chips), and Qtela (cassava & soybean chips), and the introduction of new products and packaging. Biscuits are marketed under the brand names Trenz, Wonderland and Bimbim. Sales continued to increase across the snack foods and biscuits categories, stimulated by focused marketing programs, new product launches, enhanced product visibility in modern and traditional outlets as well as by increased distribution penetration in traditional outlets.

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

Sales ↑ 9%	• to Rupiah 19.2 trillion (US$2.2 billion) from Rupiah 17.7 trillion (US$2.0 billion) • driven by increase in volume across the division, except for Noodles, as well as higher average selling prices
Sales volume	• Noodles down 3.5% to 11.1 billion packs from 11.5 billion packs • Dairy up 4.2% to 281.8 thousand tonnes from 270.5 thousand tonnes • Food Seasonings up 5.9% to 77.9 thousand tonnes from 73.5 thousand tonnes • Snack Foods up 16.5% to 23.5 thousand tonnes from 20.1 thousand tonnes
EBIT margin	• to 13.5% from 14.1% mainly reflecting overall higher raw materials prices • the Noodle division's margins decreased slightly to 16.3% from 16.4% • the Dairy division's margins decreased to 7.6% from 12.5% • the Food Seasoning division's margins rose to 4.5% from 2.5% • the Snack Foods division's margins decreased to 5.7% from 6.4% • the Nutrition & Special Foods division's margins decreased slightly to 10.1% from 10.3%

Bogasari

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

Sales ↑ 16%	• to Rupiah 14.7 trillion (US$1.7 billion) from Rupiah 12.7 trillion (US$1.4 billion) • due to higher volume and average selling prices in response to higher global wheat prices
Sales volume of food flour ↑ 4%	• to 2.4 million tonnes from 2.3 million tonnes • reflecting the division's strategy to focus on volume
EBIT margin	• to 6.6% from 14.3% • reflecting the division's strategy shift from margin to volume

The flour industry is expected to continue growing, as wheat consumption at around 20 kg per capita annually is still low in comparison with neighboring countries. Urbanization will also catalyze the industry's growth in light of the growing popularity of modern fast-food franchises and associated lifestyle changes, primarily within younger generations. However, competition will likely to intensify with the continuing entrance of new players.

Agribusiness

The Agribusiness group consists of two divisions: "Plantations" and "Edible Oils and Fats", which operate through Indofood's 58.2%-owned Singapore-listed subsidiary Indofood Agri Resources Ltd. ("IndoAgri") and IndoAgri's 72.0% owned Indonesia-listed subsidiary PT Salim Ivomas Pratama Tbk ("SIMP") which in turn owns 59.5% of Indonesia-listed subsidiary PT PP London Sumatra Indonesia Tbk ("Lonsum"). The Agribusiness group is a market leader in Indonesia's branded cooking oil segment, and is one of the lowest-cost palm oil producers in the world.

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

Plantations

SIMP and Lonsum have a combined planted area of 254,989 hectares, up 5.3% from 242,107 hectares at the end of 2010. Oil palm is the dominant crop, and 43% of the oil palms are younger than seven years old. Total planted area of oil palm was 216,837 hectares, up 6% from 205,064 hectares due to new planting of 13,884 hectares in 2011, partly offset by replanting and re-measurement resulting from the implementation of a new block management system by Lonsum. Fresh fruit bunch nucleus and CPO production grew 9% and 13% year-on-year to 2,797 thousand tonnes and 838 thousand tonnes, respectively.

The division also operates 38,152 hectares of planted area planted with other crops including rubber, sugarcane, cocoa, tea and coconut. At the end of 2011, the total planted area of rubber was 22,185 hectares, the planted area of sugarcane was 12,255 hectares and the planted area of remaining crops was 3,712 hectares. The group operates 20 palm oil mills with a total annual processing capacity of 4.6 million tonnes of fresh fruit bunches. The North and South Sumatra oil palm estates and mills, which produce 195 thousand tonnes of sustainable CPO annually, have attained certification from the Roundtable on Sustainable Palm Oil.

Edible Oils and Fats

This division manufactures cooking oils and fats and markets products under various brands for both export and domestic consumption. Bimoli and Simas Palmia are leading cooking oil and margarine brands in Indonesia. The division also produces crude coconut oil and derivative products, most of which are exported to the United States, Europe, and Asia. The division has refinery capacity of 1.4 million tonnes per annum as of 31 December 2011 and most of this division's needs are sourced from the plantation division's CPO production.

Sales ↑ 33%	• to Rupiah 12.6 trillion (US$1.4 billion) from Rupiah 9.5 trillion (US$1.0 billion)
EBIT margin	• to 23.6% from 23.4% •
Sales volume of CPO ↑ 14%	• rose to 829 thousand tonnes from 728 thousand tonnes • reflecting increase in demand for our products, supported by the increase in refining capacity at the new Jakarta refinery

The Agribusiness group's expansion focus is on new oil palm and sugar plantings. It is building two palm oil mills, in Kalimantan and South Sumatra, each capable of processing 40 tonnes of fresh fruit bunches per hour. In August 2011, the Agribusiness group completed construction of a sugar refinery in South Sumatra capable of processing 8,000 tonnes per day of sugarcane. The new Jakarta refinery in Tanjung Priok will add a bottling and margarine plant this year.

Distribution

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

Sales ↑ 18%	• to Rupiah 3.5 trillion (US$398.4 million) from Rupiah 3.0 trillion (US$326.0 million) • reflecting higher sales volumes from CBP Group
EBIT margin	• to 3.6% from 3.2%

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

2012 Outlook

The Indonesian economy continues to expand at a strong rate while inflation rate is expected at manageable level. Per capita income is rising consistently and is now estimated at US$3,600, up from US$3,000 in only a year, a milestone for the next wave of consumerism. The middle class increased, and now accounts for more than 50% of the population. The conducive macro economic conditions presents huge potential but at the same time new challenges will also emerged. Indofood will continue to assess its strategies to address new challenges and to better position the Company in capturing new opportunities. Focus will be directed toward maintaining market leadership by enhancing operations across the divisions to ensure competitiveness, increasing investment in marketing initiatives and sharpening strategies to strengthen our brand equity and image as well as enhance consumer loyalty and bonding. Indofood will also continue to expand its plantation area, particularly in oil palm and sugar to sustain its Agribusiness growth.

Reconciliation of reported results between Indofood and First Pacific

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 8,762 (2010: 9,083) 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	**2011**	2010
Net income under Indonesian GAAP	**3,077**	2,953
Differing accounting and presentational treatments(i)		
- Reclassification of non-recurring items	**51**	104
- Gain on changes in fair value of plantations	**91**	139
- Foreign exchange accounting	**54**	54
- Others	**(87)**	88
Adjusted net income under Hong Kong GAAP	**3,186**	3,338
Foreign exchange and derivative losses/(gains)(ii)	**29**	(77)
Gain on changes in fair value of plantations(ii)	**(91)**	(139)
Indofood's net income as reported by First Pacific	**3,124**	3,122
US$ millions		
Net income at prevailing average rates for 2011: Rupiah 8,762 and 2010: Rupiah 9,083	**356.5**	343.7
Contribution to First Pacific Group profit, at an average shareholding of 2011: 50.1% and 2010: 50.1%	**178.5**	172.1

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

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2011 of Rupiah 51 billion represents Rupiah 42 billion of founder's tax in relation to the spin-off of its Plantation businesses and Rupiah 9 billion of asset impairment provisions. Adjustment for 2010 of Rupiah 104 billion represents Rupiah 126 billion of founder's tax in relation to the spin-off of its Consumer Branded Product businesses and Rupiah 6 billion of asset impairment provisions, partly offset by Rupiah 28 billion of gain on divestment of interest in subsidiary companies.*
- *Gain on changes in fair value of plantations: Under Indonesian GAAP, Indofood measures its plantations (biological assets) on a historical cost basis. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less costs to sell. The adjustment relates to the change in fair value of plantations during the year.*
- *Foreign exchange accounting: The adjustment relates to the reversal of the amortization of foreign exchange losses that were previously capitalized by Indofood on certain fixed assets under construction, as the originating capitalized foreign exchange losses have already been written off by First Pacific.*
- *Others: The adjustments principally relate to the reversal of amortization of plantations and accrual of withholding tax on Indofood's net income in accordance with the requirements of HKAS 12 "Income Taxes." Under Indonesian GAAP, Indofood amortizes plantations over their estimated useful lives. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less costs to sell.*

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

PHILEX

Philex's natural resources portfolio comprises:

Metals Group

- Philex Mining Corporation.
- Philex Gold Philippines, Inc.
- Silangan Mindanao Mining Co., Inc.

Energy Group

- Philex Petroleum Corporation, a holding company of Forum Energy PLC, FEC Resources, Inc., Pitkin Petroleum Plc and Brixton Energy and Mining Corporation

Philex's contribution to the Group increased 62.1% to US$50.1 million (2010: US$30.9 million) on higher realized gold and copper prices and increased ore output at the Padcal Mine.

Philex is currently the largest mining company operating a gold-copper mine in the Philippines. It has been operating the Padcal Mine since 1958 and was the first operator of an underground block cave mine in the Far East. Philex's copper concentrate is mainly shipped to Pan Pacific Copper Company Limited, a smelter based in Saganoseki, Japan. The Padcal Mine has a work force of 2,271. In August 2011, the Padcal Mine's operating life was extended to December 2020 following a recertification of total reserves as at 30 June 2011 at 85.6 million tonnes.

Total ore milled in 2011 increased 1% to 9.5 million tonnes (2010: 9.4 million tonnes), the highest since 1986, at an average grade of 0.564 grams of gold per tonne (2010: 0.552 grams per tonne) and copper average grade at 0.221% (2010: 0.210%). Concentrate production increased 7% to 69,613 dry metric tonnes (2010: 65,340 dry metric tonnes). Gold production rose 5% to 140,113 ounces (2010: 133,516 ounces) and copper production increased 7% to 38.0 million pounds (2010: 35.6 million pounds).

During the year, the average realized price for gold increased 26% to US$1,536 per ounce (2010: US$1,217 per ounce) and the average realized copper price increased 2% to US$3.70 per pound (2010: US$3.63 per pound). The operating costs per tonne of ore milled was Pesos 735 (US$17.00) versus Pesos 686 (US$15.23) in 2010. Operating revenue increased 20% to Pesos 16.1 billion (US$372.3 million) from Pesos 13.4 billion (US$297.5 million) in 2010. Revenue from gold contributed 58% of total, with copper accounting for 38% and the balance of 4% attributable to silver and petroleum.

As at 31 December 2011, Philex had Pesos 3.9 billion (US$90.1 million) of cash and Pesos 350 million (US$8.0 million) of short-term bank loans.

Core net income ↑ 34%	• to Pesos 5.6 billion (US$128.8 million) from Pesos 4.2 billion (US$92.1 million)
Net income ↑ 46%	• to Pesos 5.8 billion (US$133.5 million) from Pesos 4.0 billion (US$88.8 million) • largely as a result of a 29% increase in gold revenue to Pesos 9.3 billion (US$215.1 million) from Pesos 7.2 billion (US$159.9 million) • reflecting also an increase in copper revenue of 6% to Pesos 6.1 billion (US$141.1 million) from Pesos 5.7 billion (US$126.6 million)
Operating costs and expenses ↑ 12%	• to Pesos 8.2 billion (US$189.6 million) from Pesos 7.3 billion (US$162.1 million) • due to higher volumes of ore produced and higher energy costs
Capital expenditure (including exploration costs) ↑ 29%	• to Pesos 3.4 billion (US$78.6 million) from Pesos 2.6 billion (US$57.7 million) • due largely to deferred exploration cost from the acquisition of interest the Kalayaan Project amounting to Pesos 1.1 billion (US$25.0 million) • reflecting additional capital expenditure for the existing operating in Padcal • reflecting additional pre-development expenditures for the Silangan Project • reflecting deferred oil and gas exploration costs for SC 72 and SC 40 under Forum Energy PLC

Dividend

The board of directors of Philex declared a final dividend of Pesos 0.42 (U.S. 0.97 cent), consisting of a regular final dividend of Pesos 0.14 (U.S. 0.32 cent) and a special dividend of Pesos 0.28 (U.S. 0.65 cent), bringing the full-year payout to approximately 50% of core net income. In addition, Philex shareholders as of record date of 8 June 2011 were distributed on 18 August 2011 a special dividend composed of a dividend in specie amounting to one share in Philex Petroleum Corporation for every eight shares of Philex and in cash of Pesos 0.052 (U.S. 0.12 cent) per share for each Philex share.

Silangan Project

The development project is located in Surigao del Norte, Northern Mindanao in the Philippines, and comprises two gold and copper.

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

Listed below are the resources and proved reserves of the Padcal Mine and Silangan Project based on the latest status:

	Padcal Mine (as of 30 June 2011)	Silangan Project (as of 5 August 2011)	
		Boyongan	Bayugo
Resources (million tonnes)	147(i)	273(ii)	125(ii)
Gold (gram/tonne)	0.49	0.72	0.66
Copper (%)	0.24	0.52	0.66
Contained copper (thousand lbs)	782,000	3,120,000	1,820,000
Contained gold (ounces)	2,300,000	6,300,000	2,700,000
Copper equivalent(iii) cutoff (%)	0.30	-	-
Copper equivalent cutoff (%)	-	0.50	0.50
Proved reserves (million tonnes)	86		
Gold (gram/tonne)	0.40		
Copper (%)	0.21		
Recoverable copper (thousand lbs)	332,900		
Recoverable gold (ounces)	806,000		
Copper equivalent(iii) cutoff (%)	0.246		

(i) Measured
(ii) Measured and indicated
(iii) Copper equivalent = % copper + 0.43 x grams/tonne gold; Metal prices: US$3.00/lb copper, US$1,000/oz gold; Metal resources: 82% copper, 73% gold

2012 Outlook

Philex will continue to explore for new mining projects in the vicinities of the Padcal Mine, Bulawan Mine, Silangan Project and Sibutad Project for further mining opportunities. To offset expected declines in ore grades from the Padcal Mine, Philex's Business Development Team is continuing to explore for potential mining acquisitions. Development of the Silangan Project continues with the build-out of infrastructure aiming for production to begin in 2016.

Reconciliation of reported results between Philex and First Pacific

Philex's operations are principally denominated in peso, which averaged Pesos 43.24 (2010: Pesos 45.04) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to Philex's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2011**	2010
Net income under Philippine GAAP	**5,771**	3,963
Differing accounting and presentational treatments[(i)]		
- Reclassification of non-recurring items	**(213)**	120
- Depreciation of revaluation increment for assets	**(386)**	(570)
- Revenue recognition regarding sale of mine products	**50**	(22)
- Others	**(557)**	(526)
Adjusted net income under Hong Kong GAAP	**4,665**	2,965
Foreign exchange and derivative losses[(ii)]	**10**	67
Philex's net income as reported by First Pacific	**4,675**	3,032
US$ millions		
Net income at prevailing average rates for 2011: Pesos 43.24 and 2010: Pesos 45.04	**108.1**	67.3
Contribution to First Pacific Group, at an average shareholding of 2011: 46.3% and 2010: 45.9%	**50.1**	30.9

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

- *Reclassification of non-recurring items: Certain items, through occurrence or size are not considered usual operating items which are reallocated and presented separately. Adjustment for 2011 of Pesos 213 million (2010: Pesos 120 million) mainly represents a gain of Pesos 397 million (2010: a loss of Pesos 120 million) arising from a reclassification of an investment from an associated company to available-for-sale assets due to loss of significant influence in the investment, partly offset by asset impairment and other provisions of Pesos 184 million (2010: Nil).*
- *Depreciation of revaluation increment of assets: A fair value assessment was performed at the date of acquisition of Philex and certain revaluation increment adjustments have been made to property, plant and equipment. The adjustment relates to the recognition of additional depreciation based on the revalued fair value of property, plant and equipment.*
- *Revenue recognition regarding sale of mine products: Philex recognizes revenue based on the production of mine products. HKAS 18 "Revenue" requires the recognition of revenue based on the satisfaction of certain conditions, which includes the transfer of significant risks and rewards of ownership of the products to the buyers and the absence of continuing managerial involvement to the degree usually associated with ownership and effective control over the products sold.*
- *Others: The adjustments principally relate to the accrual of withholding tax on Philex's net income in accordance with the requirements of HKAS 12 "Income Taxes".*

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

REVIEW OF 2011 GOALS

First Pacific
Goal: Continue to explore investment opportunities in existing core businesses across the region
Achievement: Ongoing. Exploration of potential investments in each of the four core businesses (telecommunications, infrastructure, foods/consumer, and natural resources) in the economies of emerging Asia continues following additional investments in 2011 in PLDT and MPIC.

Goal: Fortify PLDT's position of market leadership in telecommunications
Achievement: Achieved and ongoing. Leading market position strengthened as PLDT group acquired the Philippines' number-three telecommunications provider, Digital Telecommunications Philippines, Inc. ("Digitel"). PLDT's broadband subscriber base improved by more than 900,000 to 2.9 million subscribers at the end of 2011. During the year, combined SMART, TNT, Red Mobile and Sun subscriber base reached 63.7 million subscribers.

Goal: Invest in a new infrastructure project in the Philippines via MPIC
Achievement: On track. MPIC successfully raised Pesos 8.6 billion (US$201.5 million) in July 2011 to finance new projects and it continues to evaluate potential investments in infrastructure projects across the Philippines including participation in the Philippine Government's Public-Private Partnership initiatives. MPIC management is continuing to seek out infrastructure projects across the country.

Goal: Grow MPIC's toll road network by building roads and/or by investment in other toll road assets
Achievement: Ongoing. A Swiss Challenge to the Connector Road project is expected before end-2012, fulfilling a necessary step before work can begin. Construction of Segment 9, part of the Harbour Link to central Manila, is expected to begin in the fourth quarter of 2012 and evaluation of potential investment in other toll roads continues.

Goal: Continue moving into higher-margin products at Indofood
Achievement: Achieved and ongoing. During 2011 the CBP group continued to market its growing range of food products by utilizing its extensive distribution network.

Goal: Grow the plantation business so that Indofood become a net seller of crude palm oil ("CPO")
Achievement: Ongoing. The Agribusiness expanded its oil palm plantation area by 6% in 2011. Expansion of the oil palm and sugar plantations continues.

Goal: Expand sources of production at Philex from just one mine, Padcal, to others, through organic growth and/or via acquisition
Achievement: Achieved and ongoing. Padcal mine life was extended for a further three years to December 2020 following reassessment of its reserves and resources in June 2011. Philex invested US$25 million in the Kalayaan Project for a 5% stake rising to 60% with spending on the exploration phase of the planned mine, strategically located next to Philex's Silangan Project and potentially contributing to a significant increase in reserves at Silangan. Further investment of Pesos 1.4 billion (US$32.4 million) for 5% of Lepanto was also made. Evaluation continues of potential acquisitions of mines currently in operation. Exploration of Padcal environs and other license areas continues aggressively.

PLDT
Goal: Achieve core net income for 2011 of around Pesos 40.5 billion
Achievement: Not met. Core net income in 2011 declined 7% to Pesos 39.0 billion (US$901.9 million) from Pesos 42.0 billion (US$932.5 million) a year earlier as increased competition, particularly in the second half of 2011, reduced revenues while operating expenses, particularly selling, promotions and subsidies, rose as the Company responded to competition.

Goal: Achieve continued growth of the broadband business in terms of subscribers and revenues
Achievement: Achieved and ongoing. PLDT Group broadband subscriber base rose 45% in 2011 to 2.9 million. PLDT Group total broadband and internet revenues grew by 18% year-on-year to Pesos 18.8 billion (US$434.8 million) in 2011 and now account for 12% of total service revenues.

Goal: Fortify PLDT's position of undisputed market leadership in network quality and customer experience while focusing on margins and profitability
Achievement: Ongoing. Market leadership position boosted by acquisition of Digitel, the third-largest telecommunications firm in the Philippines.

Goal: Upgrade the fixed and wireless networks within a capital expenditure budget of Pesos 34.4 billion for increased capacity and coverage
Achievement: Ongoing. 2011 capital expenditure amounted to Pesos 31.2 billion (US$721.6 million), 8% higher than Pesos 28.8 billion (US$639.4 million) in 2010. The 2011 capex expenditure is part of a Pesos 67.0 billion (US$1.53 billion) two-year network modernization program to reinforce PLDT's undisputed market leadership in the cellular business as well as with the emergence of data. The capital expenditure includes spending for the upgrade of Smart's mobile networks, including preparing to be 4G-ready, additional broadband and cellular coverage and capacity, and upgrade of IT systems. All this will result in operating cost efficiencies which will allow continued delivery of quality service to customers.

MPIC

Goal: At Maynilad, grow billed volume while cutting non-revenue water to 48% for the year and investigate opportunities to provide bulk water supply and distribution in other regions of the Philippines
Achievement: Achieved and ongoing. Non-revenue water decreased to 48% for the year from 54% a year earlier and is declining. Maynilad continues to evaluate new bulk water and distribution concessions.

Goal: For the electricity business, finalize plans to enter power generation and continue preparation for retail electricity sales
Achievement: Achieved and ongoing. Meralco purchased a majority interest stake in the US$1.28 billion Redondo Peninsula Energy, Inc. (RP Energy), which is building a 600 MW coal-fired power plant in Subic Bay with the first 300 MW power plant coming online in 2016. Additional projects are under negotiation or evaluation. In preparation for retail electricity sales, a team has been organized to prepare a strategy for implementation of Open Access later in 2012.

Goal: Conclude evidentiary hearings for the Third Regulatory Period for Meralco beginning in July 2011
Achievement: Achieved. Third Regulatory Period commenced in July 2011 with a new four-year regulatory regime establishing a stable operating environment.

Goal: Continue to expand the toll road portfolio at MPTC by targeting acquisitions and new builds in heavily trafficked areas
Achievement: Ongoing. MPTC executives continue to evaluate potential investments for growth by acquisition and organic expansion. MPIC's fund-raising in July 2011 is aimed in large part at financing MPTC's planned growth.

Goal: Continue to grow the hospital network through the acquisition of hospitals across the country
Achievement: Ongoing. The Hospital group continues to evaluate potential hospital acquisitions in all three main island groups of the Philippines following its acquisition of AHI.

Goal: Participate in further development of the country's infrastructure, such as airports or Manila's Metro Rail Transit ("MRT") 3 light rail system
Achievement: Ongoing. MPIC executives continue to explore potential infrastructure investment opportunities.

Indofood

Goal: Expand business/product categories
Achievement: Ongoing. New varieties have been expanded in the traditional snacks category, such as Qtela Tempe, soybean chips and Bimbim, a biscuit for children.

Goal: Increase market share in some categories
Achievement: Ongoing. Higher sales volumes by certain divisions in the ICBP subsidiary – Dairy, Food Seasonings, Snack Foods and Nutrition & Special Foods – drove increases in market share in certain segments while price increases in the Noodles business mitigated higher input cost affecting market share.

Goal: Improve product and service quality
Achievement: Ongoing.

Goal: Enhance R&D capabilities
Achievement: Ongoing.

Goal: Optimize operational efficiencies
Achievement: Ongoing. Increasing competition on price has put pressure on margins at all business units except Agribusiness, which benefitted from higher prices for crude palm oil ("CPO") and rubber. Margins have also been put under pressure by rising prices of raw materials, particularly for wheat, skimmed milk powder and sugar.

Philex

Goal: Extend Padcal's mine life beyond 2017
Achievement: Achieved. Philex extended the declared mine life for Padcal to December 2020 based on reserves of 85.6 million tonnes of economically exploitable ore as of 20 June 2011. Padcal's total resources are estimated at 147 million tonnes, indicating that 61.4 million tonnes of additional ore could be converted into reserves and extend Padcal's mine life even further if economic parameters permit.

Goal: Move forward on Silangan Project development
Achievement: Achieved and ongoing. Construction of the portal to the decline leading down to the Bayugo and Boyongan ore bodies was completed in August 2011 with tunnel construction following over the next 18 months to two years. Much of the early-stage above-ground infrastructure has been completed, such as housing for miners and storage for explosives and heavy equipment. The project aims to deliver first commercial quantities of ore in 2016.

Goal: Continue exploring opportunities to acquire new mining operations
Achievement: Achieved and ongoing. Investment of US$25 million in Kalayaan Project for a 5% stake rising to 60% with spending on pre-development phase of the planned mine. Further investment of US$32.4 million for 5% of Lepanto was also made. Evaluation continues on potential acquisitions of mines currently in operation.

Goal: Determine the feasibility and cost-effectiveness of reopening the Bulawan Gold Mine
Achievement: Ongoing. Philex engineers and geologists continue to evaluate the feasibility and cost-effectiveness of reopening the Bulawan Mine.

Goal: Intensify exploration of areas with permits in the environs of the Padcal Mine, Bulawan Mine, Silangan Project and Sibutad Project for further mining opportunities
Achievement: Ongoing. Exploration of Padcal environs and other license areas continues aggressively with go/no-go decisions on development seen likely in 2012 for several potential projects.

Goal: Improve public perception of the benefits of mining to the Philippine economy
Achievement: Ongoing. Working closely with all stakeholders concerned (including government agencies, non-government organizations, the Bureau of Mines as well as other public and private institutions) to improve the reputation of the mining industry.

GOALS FOR 2012

First Pacific

- Continue to explore investment opportunities in existing core businesses across the region
- Fortify PLDT's position of market leadership in telecommunications, integrate Digitel, consolidate networks, position for return to earnings growth in 2013
- Invest in a new infrastructure project in the Philippines via MPIC
- Grow MPIC's toll road network by building roads and/or by investment in other toll road assets
- Reverse decline in EBIT margin at Indofood
- Grow the plantation business so that Indofood becomes a net seller of crude palm oil ("CPO")
- Expand sources of production at Philex from just one mine, Padcal, to others, through organic growth and/or via acquisition

PLDT

- Complete the integration of Digitel into the PLDT Group to produce savings in areas such as capital expenditure and marketing/distribution operating expenditures while improving yields
- Maintain double-digit growth in broadband subscribers and revenues
- Complete the two-year network modernization program

MPIC

- Continue to grow the hospital network through the acquisition of hospitals across the country
- Continue to expand the toll road portfolio at MPTC by targeting acquisitions and new builds in heavily trafficked areas
- Participate in further development of the country's infrastructure, such as airports or Manila's Metro Rail Transit ("MRT") 3 light rail system

Indofood

- Increase investments in A&P and strengthen marketing capabilities
- Accelerate new products innovation
- Increase plantation area for main crop

Philex

- Move forward on Silangan development of the mine
- Continue exploring opportunities to acquire new mining operations
- Determine the feasibility and cost-effectiveness of reopening the Bulawan Gold Mine
- Intensify exploration of areas with permits in the environs of the Padcal Mine, Bulawan Mine, Silangan Project and Sibutad Project for further mining opportunities
- Improve public perception of the benefits of mining to the Philippines
- Establish the commerciality of the hydrocarbons in SC 72 Reed Bank, a petroleum exploration license area located offshore West Palawan, through seismic interpretation and drilling of the first wells in the area since the 1980's.

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) 2011**	**Total equity 2011**	**Gearing (times) 2011**	Net debt/ (cash)(i) 2010	Total equity 2010	Gearing (times) 2010
Head Office	**1,170.3**	**1,647.1**	**0.71x**	816.9	1,787.9	0.46x
MPIC	**524.2**	**1,953.2**	**0.27x**	597.8	1,465.3	0.41x
Indofood	**70.3**	**4,018.4**	**0.02x**	432.3	3,247.9	0.13x
Group adjustments(ii)	**-**	**(739.5)**	**-**	-	(889.0)	-
Total	**1,764.8**	**6,879.2**	**0.26x**	1,847.0	5,612.1	0.33x
Associated						
PLDT	**1,624.8**	**3,472.1**	**0.47x**	1,209.2	2,221.4	0.54x
Philex	**(82.1)**	**617.0**	**-**	(82.8)	473.5	-

(i) Includes pledged deposits and restricted cash

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

Head Office's gearing increased principally because of additional investments in PLDT and MPIC. MPIC's gearing decreased principally due to a growth of its equity as a result of the net proceeds from share placements, conversion of bonds into equity and its profit recorded for the year. Indofood's gearing decreased principally because of the net proceeds from the spin-off of SIMP and a growth of its equity mainly as a result of its profit recorded for the year. PLDT's gearing decreased principally because of a growth of its equity as a result of its issuance of shares for the acquisition of Digitel. Philex's net cash remained broadly unchanged, reflecting strong operating cash flow offset by payments for investments and capital expenditure.

The Group's gearing improved to 0.26 times principally because of a lower net debt level and a growth of the Group's total equity principally as a result of the spin-off of SIMP as well as the profit recorded for the year.

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

Consolidated

	Carrying amounts		Nominal values	
US$ millions	**2011**	2010	**2011**	2010
Within one year	**1,119.3**	645.4	**1,120.0**	646.5
One to two years	**126.0**	650.6	**126.7**	657.8
Two to five years	**1,125.8**	1,062.7	**1,136.6**	1,064.5
Over five years	**1,323.9**	1,080.5	**1,343.0**	1,099.0
Total	**3,695.0**	3,439.2	**3,726.3**	3,467.8

The change in the Group's debt maturity profile from 31 December 2010 to 31 December 2011 principally reflects (a) Head Office's new borrowings of US$200 million to partly finance its additional investment in PLDT and refinancing of (i) its vendor financing arranged for the purchase of interest in Philex in January 2010 and (ii) a short-term borrowing with long-term borrowings, (b) Indofood's reclassification of Rupiah 2.0 trillion (US$228.1 million) of bonds maturing in May 2012 and repayment of borrowings principally by using the proceeds from the spin-off of SIMP and (c) MPIC's net borrowings to finance the payments for capital expenditure and refinancing of short-term borrowings with long-term borrowings.

Associated

	PLDT				**Philex**			
	Carrying amounts		Nominal values		Carrying amounts		Nominal values	
US$ millions	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Within one year	**593.3**	314.8	**595.8**	318.6	**8.0**	3.4	**8.0**	3.4
One to two years	**239.7**	408.9	**275.0**	442.7	**-**	-	**-**	-
Two to five years	**1,055.3**	894.2	**1,066.1**	923.2	**-**	-	**-**	-
Over five years	**787.1**	427.9	**787.2**	428.5	**-**	-	**-**	-
Total	**2,675.4**	2,045.8	**2,724.1**	2,113.0	**8.0**	3.4	**8.0**	3.4

The change in PLDT's debt maturity profile from 31 December 2010 to 31 December 2011 principally reflects the consolidation of Digitel and loan repayments and new borrowings arranged to finance capital expenditure and/or refinance its loan obligations which were utilized for service improvements and expansion programs.

CHARGES ON GROUP ASSETS

At 31 December 2011, the total borrowings include secured bank and other borrowings of US$2,019.7 million (2010: US$1,880.6 million). Such bank and other borrowings were secured by the Group's property, plant and equipment, plantations, other intangible assets, pledged deposits, cash and cash equivalents and inventories equating to a net book value of US$820.6 million (2010: US$1,121.9 million) and the Group's interests of 16.7% (2010: 14.9%) in PLDT, 45.5% (2010: 55.6%) in MPIC, 9.7% (2010: 5.8%) in Philex, 46.8% (2010: 9.9%) in Maynilad and 99.8% (2010: 99.8%) in MPTC.

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. In December 2009, a wholly-owned subsidiary company of the Company entered into a two-year Peso/U.S. dollar forward exchange contract, with several interim settlements, to hedge a portion of the peso-denominated dividend income from PLDT. However, the Company does not actively seek to hedge risks arising on the translation of foreign currency denominated investments due to (i) the non-cash nature of such exposure until the values of the investments are realized and (ii) the high costs associated with such hedging. Accordingly, the Company is exposed to the impact of foreign currency fluctuations on the translated U.S. dollar value of its foreign currency denominated investments.

With the exception of the Head Office, the principal components of the Group's net asset value (NAV) relate to investments denominated in the peso and rupiah. Accordingly, any change in these currencies, against their respective 31 December 2011 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

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

Company	Basis	**Effect on adjusted NAV** US$ millions	**Effect on adjusted NAV per share** HK cents
PLDT	(i)	32.0	6.49
MPIC	(i)	12.1	2.45
Indofood	(i)	22.3	4.52
Philex	(i)	10.9	2.20
Philex Petroleum	(i)	0.5	0.09
Total		**77.8**	**15.75**

(i) Based on quoted share prices as at 31 December 2011 applied to the Group's economic interest

(B) Group risk

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

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

Consolidated

US$ millions	US$	Rupiah	Peso	Others	**Total**
Total borrowings	1,768.8	1,136.1	790.1	-	**3,695.0**
Cash and cash equivalents(i)	(353.4)	(1,121.8)	(393.0)	(62.0)	**(1,930.2)**
Net debt/(cash)	1,415.4	14.3	397.1	(62.0)	**1,764.8**
Representing:					
Head Office	1,177.0	-	(5.7)	(1.0)	**1,170.3**
MPIC	121.4	-	402.8	-	**524.2**
Indofood	117.0	14.3	-	(61.0)	**70.3**
Net debt/(cash)	1,415.4	14.3	397.1	(62.0)	**1,764.8**

Associated

US$ millions	US$	Peso	Others	**Total**
Net debt/(cash)				
PLDT	1,217.2	413.0	(5.4)	**1,624.8**
Philex	(78.8)	(3.3)	-	**(82.1)**

(i) Includes pledged deposits and restricted cash

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

US$ millions	Total US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% currency change	**Group net profit effect**
Head Office(i)	1,177.0	-	1,177.0	-	**-**
MPIC	121.4	-	121.4	1.2	**0.5**
Indofood	117.0	-	117.0	1.2	**0.5**
PLDT	1,217.2	262.2	955.0	9.6	**1.7**
Philex	(78.8)	-	(78.8)	(0.8)	**(0.3)**
Total	**2,553.8**	**262.2**	**2,291.6**	**11.2**	**2.4**

(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(ii)	890.1	382.7	(102.5)	**1,170.3**
MPIC(iii)	623.8	289.1	(388.7)	**524.2**
Indofood	473.2	1,036.1	(1,439.0)	**70.3**
Total	1,987.1	1,707.9	(1,930.2)	**1,764.8**
Associated				
PLDT	1,818.2	857.2	(1,050.6)	**1,624.8**
Philex	-	8.0	(90.1)	**(82.1)**

(i) Includes pledged deposits and restricted cash
(ii) In April 2009, a wholly-owned subsidiary company of the Company entered into an interest rate swap agreement, which effectively changed a US$200.0 million bank loan of Head Office from a London Inter-bank Offer Rate (LIBOR)-based variable interest rate to a fixed interest rate.
(iii) In March 2011, MNTC, a subsidiary company of MPIC entered into certain interest rate swap agreements, which effectively changed US$45.5 million of its bank loans from Philippine Reference Rates (PHIREF)-based variable interest rate to fixed interest rate.

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	382.7	3.8	**3.8**
MPIC	289.1	2.9	**1.2**
Indofood	1,036.1	10.3	**3.9**
PLDT	857.2	8.6	**1.6**
Philex	8.0	0.1	**-**
Total	**2,573.1**	**25.7**	**10.5**

ADJUSTED NAV PER SHARE

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

At 31 December US$ millions	Basis	**2011**	2010
PLDT	(i)	**3,203.3**	2,879.8
MPIC	(i)	**1,212.5**	993.9
Indofood	(i)	**2,230.0**	2,383.6
Philex	(i)	**1,085.0**	837.9
Philex Petroleum	(i)	**45.7**	-
Head Office - Other asset	(ii)	**-**	180.2
- Net debt		**(1,170.3)**	(816.9)
Total valuation		**6,606.2**	6,458.5
Number of ordinary shares in issue (millions)		**3,850.4**	3,902.4
Value per share			
- U.S. dollar		**1.72**	1.66
- HK dollars		**13.38**	12.91
Company's closing share price (HK$)		**8.08**	7.00
Share price discount to HK$ value per share (%)		**39.6**	45.8

(i) Based on quoted share prices applied to the Group's economic interest
(ii) Based on the market value of the shares upon the conversion of MPIC Pesos 6.6 billion (US$150.5 million) convertible bonds at 31 December 2010. The convertible bonds were converted into MPIC shares in April 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 1 June 2010, the Company announced that its Directors have approved a programme to repurchase up to US$130 million (equivalent to approximately HK$1 billion) in value of the Company's shares from the open market, by way of "on market repurchases", over a 24-month period.

During the year, the Company repurchased 76,878,000 (2010: 26,278,000) ordinary shares on The Stock Exchange of Hong Kong Limited (SEHK) at an aggregate consideration of HK$538.2 million (US$69.4 million) (2010: HK$173.9 million or US$22.4 million). These shares have been subsequently cancelled. Details of the repurchases are summarized as follows:

Month of repurchases	Number of ordinary shares repurchased	Purchase price paid per share Highest HK$	Purchase price paid per share Lowest HK$	Aggregate consideration paid HK$ millions	Aggregate consideration paid US$ millions
January 2011	5,194,000	7.13	6.59	35.5	4.6
February 2011	4,188,000	6.85	6.48	27.8	3.6
April 2011	3,310,000	7.17	6.73	23.0	3.0
May 2011	11,304,000	7.27	6.57	78.1	10.0
June 2011	16,898,000	7.00	6.52	114.1	14.7
July 2011	4,112,000	7.78	7.17	30.8	4.0
August 2011	1,238,000	7.44	7.38	9.2	1.2
September 2011	18,554,000	7.52	6.06	127.7	16.4
October 2011	5,650,000	7.30	6.82	39.9	5.2
December 2011	6,430,000	8.33	7.76	52.1	6.7
Total	**76,878,000**			**538.2**	**69.4**

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

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

CORPORATE GOVERNANCE
First Pacific 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 throughout the current financial year. Following the resignation of Ambassador Albert F. del Rosario on 25 March 2011, the appointment of Dr. Christine K.W. Loh and the retirement of Sir David W.C. Tang on 1 June 2011, and the passing away of Mr. Ibrahim Risjad on 16 February 2012, the First Pacific Board is comprised of 11 members, of whom 4 are Independent Non-executive Directors. In this respect, First Pacific is in compliance with the revised Listing Rule requirement of appointing Independent Non-executive Directors representing at least one-third of the Board. First Pacific has also met all of the other recommended best practices in the CG Code throughout the current financial year, except for the following:

1. The announcement and publication of quarterly financial results within 45 days after the end of the relevant quarter.
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.

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 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.

Continuing connected transactions
During the year, the Independent Non-executive Directors discussed with the Directors in relation to the following continuing connected transactions and approved the disclosure of those transactions in the form of published announcements:

- 14 February 2011 announcement: entering into of (1) a new continuing connected transaction in relation to the plantations business transaction between PT Salim Ivomas Pratama (a subsidiary of Indofood) and Shanghai Resources International Trading, Co. Ltd. (an associate of Mr. Anthoni Salim); (2) an Amendment Agreement between the Bogasari Flour Mills Division of Indofood (Bogasari) and PT Fast Food Indonesia Tbk. (FFI) for the purpose of amending and supplementing the terms of an existing Flour Business transaction between these parties; (3) revision of annual caps in relation to its Existing Flour Business Transaction No. 2 to take into account the supply of flour by Bogasari to FFI in addition to the supply of spaghetti; and (4) increase in the annual caps for 2011-2013 in respect of the existing Flour Business transactions.

- 22 March 2011 announcement: entering into of (1) a trademark licensing agreement in relation to the plantations business transaction between Indofood and PT Lajuperdana Indah; and (2) a carton boxes supply agreement in relation to the Packaging Business transaction between PT Surya Rengo Containers and FFI; as well as the announcement of the aggregate annual caps for the Plantations Business transactions and the revised aggregate annual caps for the Packaging Business transactions.

- 31 October 2011 announcement: entering into of (1) a new lease agreement between Bogasari and PT Tarumatex in relation to the flour business of the Indofood Group; and (2) a new consultant services contract between Indofood and PT Indotek Konsultan Utama in relation to the various categories of businesses of the Indofood Group.

In respect of the financial year ended 31 December 2011, each of the continuing connected transactions has been subject to annual review by the Independent Non-executive Directors of the Company pursuant to Rule 14A.37 of the Listing Rules and confirmation of the auditors of the Company pursuant to Rule 14A.38 of the Listing Rules.

The Independent Non-executive Directors of the Company have concluded that each continuing connected transaction has been entered into:

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

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

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 2011, 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.

The Board has commissioned a third party report on the Company's risk management practices.

AUDIT OPINION
The auditors have expressed an unqualified opinion on the Group's financial statements for the year ended 31 December 2011 in their report dated 20 March 2012.

REVIEW STATEMENT BY THE AUDIT COMMITTEE
The Audit Committee has reviewed the 2011 annual results, including the accounting policies and practices adopted by the Group.

FINAL DIVIDENDS
The Board has recommended a final cash dividend of HK13.00 cents (U.S.1.67 cents) per ordinary share. Subject to approval by shareholders at the 2012 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 Thursday, 21 June 2012.

CLOSURE OF REGISTER OF MEMBERS
1. Annual General Meeting
The Register of Members will be closed from Tuesday, 29 May 2012 to Thursday, 31 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting ("AGM"), 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 no later than 4:30 p.m. on Monday, 28 May 2012.

2. Proposed Final Dividend
The Register of Members will be closed from Thursday, 7 June 2012 to Friday, 8 June 2012, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be Tuesday, 5 June 2012. In order to qualify for the proposed 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 no later than 4:30 p.m. on Wednesday, 6 June 2012. The final dividend will be paid to shareholders whose names appear on the Register of Members on Friday, 8 June 2012 and the payment date will be on or about 21 June 2012.

AGM
The AGM will be held at The Landmark Mandarin Oriental, Hong Kong on Thursday, 31 May 2012 at 3:00 p.m. The Notice of AGM will be published on the website of the Company (www.firstpacific.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk), and be despatched to shareholders by the end of April 2012.

RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Company (www.firstpacific.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2011 Annual report containing all the information required by the Listing Rules will be mailed to shareholders and made available on the above websites by the end of April 2012.

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

Hong Kong, 20 March 2012

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
Graham L. Pickles*
Prof. Edward K.Y. Chen*, *GBS, CBE, JP*
Tedy Djuhar
Benny S. Santoso
Napoleon L. Nazareno
Jun Tang*
Dr. Christine K.W. Loh*, *JP, OBE, Chevalier de l'Ordre National du Merite*

* *Independent Non-executive Directors*