THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in First Pacific Company Limited, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms of the Offers contained herein.

FIRST PACIFIC

Salerni International Limited

(Incorporated in the British Virgin Islands with limited liability)

FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00142)

MANDATORY CONDITIONAL CASH OFFERS BY CIMB-GK SECURITIES (HK) LIMITED ON BEHALF OF SALERNI INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF, AND TO CANCEL ALL OUTSTANDING OPTIONS OF, FIRST PACIFIC COMPANY LIMITED (OTHER THAN THOSE SHARES ALREADY BENEFICIALLY OWNED BY SALERNI INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Salerni International Limited

CIMB

CIMB-GK Securities (HK) Limited

Independent Financial Adviser to the Independent Board Committee

SOMERLEY LIMITED

A letter from CIMB-GK Securities (HK) Limited containing, amongst other things, details of the terms of the Offers, is set out on pages 15 to 25 of this Composite Document.

A letter from the Board is set out on pages 8 to 14 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offers to the Independent Shareholders and Independent Optionholders is set out on pages 26 to 27 of this Composite Document and a letter from the independent financial adviser, Somerley Limited, containing its advice to the Independent Board Committee, the Independent Shareholders and the Independent Optionholders in respect of the Offers, is set out on pages 28 to 49 of this Composite Document.

The procedures for acceptance of the Offers and related information are set out on pages 50 to 57 in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the Share Offer should be received by Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and acceptances of the Option Offer should be received by the Company at 24/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, no later than 4:00 p.m. on Friday, 2 June 2006 ("First Closing Date") or such other time and/or date as the Offeror may determine and announce in accordance with the requirements of the Takeovers Code. The Offeror has no intention to extend the offer period beyond the First Closing Date or to revise the Share Offer Price or the Option Offer Price.

12 May 2006

CONTENTS

	2006
Despatch date of this Composite Document and the commencement of the Offers	Friday, 12 May
First Closing Date *(Note 1)*	4:00 p.m. on Friday, 2 June
Announcement of the results of the Offers posted on the Stock Exchange's website, as at the First Closing Date	7:00 p.m. on Friday, 2 June
Announcement of the results of the Offers published in newspapers, as at the First Closing Date	Monday, 5 June
Latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances received on or before 4:00 p.m. on the First Closing Date assuming the Offers become or are declared unconditional on the First Closing Date *(Note 2)*	Monday, 12 June
Latest date for acceptance assuming the Offers become or are declared unconditional on the First Closing Date *(Note 3)*	4:00 p.m. on Friday, 16 June
Latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances received on or before 4:00 p.m. on 16 June 2006 *(Note 2)*	Monday, 26 June
Latest date by which the Offers can be declared unconditional *(Note 4)*	Wednesday, 12 July

Notes:

1. The latest time to receive acceptances under the Offers, which are conditional as to acceptances, will be 4:00 p.m. on 2 June 2006 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror will issue an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating the results of the Offers and whether the Offers have been revised or extended, have expired or have become or been declared unconditional. In any announcement of an extension of an offer, either the next closing date must be stated or, if the Offer is unconditional as to acceptances, a statement may be made that the offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to those Independent Shareholders and Independent Optionholders who have not accepted the Offers and an announcement will be published. It is to be noted however that the Offeror has no intention to extend the offer period beyond the First Closing Date if the Offers have not become unconditional by that date or to revise the Share Offer Price or the Option Offer Price.

2. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in case of the Share Offer) payable for the Shares and the Options tendered under the Offers will be posted to the accepting Independent Shareholders and Independent Optionholders by ordinary post at their own risk as soon as possible but in any event within 10 days of the later of the date of receipt by the Registrar (for the Share Offer) or the Company (for the Option Offer), as the case may be, of duly completed acceptance, or the date on the Offers become or are declared unconditional.

3. Assuming the Offers become unconditional on the First Closing Date, it should remain open for acceptance for not less than 14 days in accordance with the Takeovers Code.

4. In the event that the Share Offer has not been declared or has not become unconditional as to acceptances on or before 12 July 2006, being the next business day immediately following the 60 days after posting of this Composite Document, the Offers will lapse.

All time and date references contained in this Composite Document refer to Hong Kong time and date which is calculated in accordance with the Takeovers Code.

Unless the context requires otherwise, the following expressions have the following meanings in this document:

"1st Vendors"	Lagrima Investments Limited and Crisciuta Limited, which respectively owned approximately 33.334% and 33.332% of the issued share capital of FPIL (BVI) immediately prior to Completion. The issued capital of each of Lagrima Investments Limited and Crisciuta Limited is wholly owned by Mr. Soedono Salim and Mr. Andree Halim respectively
"2nd Vendors"	Lagrima Investments Limited, Thrivetime Limited and Bethrive Limited, which respectively owned 30.00%, 10.00% and 10.00% of the issued share capital of FPIL (Liberia) immediately prior to Completion. The issued capital of each of Lagrima Investments Limited, Thrivetime Limited and Bethrive Limited is wholly owned by Mr. Soedono Salim, Mr. Sudwikatmono and Mr. Ibrahim Risjad respectively
"Accepting Shareholders"	Shareholders who validly accept the Share Offer in accordance with its terms, the particulars of which are set out in this Composite Document and the accompanying Forms of Acceptance
"Acquisitions"	the acquisition by the Offeror of 66,666 FPIL (BVI) Shares and 234 FPIL (Liberia) Shares from the 1st Vendors and the 2nd Vendors respectively
"acting in concert"	the same meaning ascribed to it in the Takeovers Code
"Adjusted NAV per Share"	the adjusted net asset value per Share of approximately HK$4.21 as disclosed in the Company's annual report for the year ended 31 December 2005
"associate(s)"	the same meaning ascribed to it in the Takeovers Code
"Board"	the board of Directors of the Company
"Business Day"	any day on which licensed banks in Hong Kong are generally open for business, except a Saturday and days on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CIMB-GK"	CIMB-GK Securities (HK) Limited, a corporation licensed to conduct types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO and is the financial adviser to the Offeror
"Company"	First Pacific Company Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisitions, which took place on 27 April 2006
"Composite Document"	the composite offer document dated 12 May 2006 issued by the Offeror and the Company to all Shareholders and Optionholders in accordance with the Takeovers Code containing, amongst other things, the terms of the Offers, the acceptance and transfer/cancellation forms, the recommendation of the Independent Board Committee and the advice of the independent financial adviser relating to the terms of the Offers
"Concert Parties"	the meaning ascribed to parties "acting in concert" under the Takeovers Code
"Director(s)"	the director(s) of the Company
"Executive"	the executive director of the corporate finance division of the Securities and Futures Commission of Hong Kong or any of his delegates
"First Closing Date"	4.00 p.m. on 2 June 2006, the date being 21 days after the date on which the Composite Document is posted
"Forms of Acceptance"	the **WHITE** Form of Acceptance and the **YELLOW** Form of Acceptance
"FPIL (BVI)"	First Pacific Investments (BVI) Limited, a company incorporated in the British Virgin Islands, which is owned as to 100% by the Offeror and its Concert Parties as at the Latest Practicable Date.

"FPIL (BVI) Shares"	shares of US$1.00 each in the issued share capital of FPIL (BVI)
"FPIL (Liberia)"	First Pacific Investments Limited, a company incorporated in the Republic of Liberia, which is owned as to 56.80% by the Offeror and its Concert Parties as at the Latest Practicable Date
"FPIL (Liberia) Shares"	shares of US$2.00 each in the issued share capital of FPIL (Liberia)
"Guarantor"	Magic Success International Limited, a company incorporated in Hong Kong on 8 December 2005 with limited liability, which is wholly owned by Mr. Anthoni Salim
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	the independent board committee comprising the three independent non-executive Directors, namely, Professor Edward K.Y. Chen, *GBS, CBE, JP*, Messrs. Graham L. Pickles and David W.C. Tang, *OBE, Chevalier de L'Ordre des Arts et des Lettres*
"Independent Optionholders"	Optionholders other than the Offeror and its Concert Parties
"Independent Shareholders"	Shareholders other than the Offeror and its Concert Parties
"Joint Announcement"	the joint announcement dated 28 April 2006 issued by the Company and the Offeror in relation to the Offers
"Last Trading Day"	27 April 2006, being the last trading day of the Shares immediately before the release of the Joint Announcement
"Latest Practicable Date"	10 May 2006, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained herein

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Offeror"	Salerni International Limited, a company incorporated in the British Virgin Islands on 23 March 2006 with limited liability, which is directly wholly owned by Mr. Anthoni Salim
"Offers"	the Share Offer and Option Offer
"Option(s)"	the option(s) granted by the Company under the employee share option scheme adopted by the Company on 24 May 2004 each conferring on the grantee thereof the right to subscribe for one new Share at the exercise price of HK$1.76
"Optionholders"	holders of the Options
"Option Offer"	the mandatory conditional cash offer for cancellation of all outstanding Options made by CIMB-GK on behalf of the Offeror, on the terms and conditions of this Composite Document
"Option Offer Price"	HK$0.44 per Option payable under the Option Offer
"PRC"	the People's Republic of China
"Registrar"	Computershare Hong Kong Investor Services Limited, the branch share registrars of the Company in Hong Kong, which is situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Salim Family"	Mr. Anthoni Salim, his father Mr. Soedono Salim and his brother Mr. Andree Halim
"Share(s)"	share(s) of US$0.01 each in the issued share capital of the Company
"Shareholders"	holders of Shares

"Share Offer"	the mandatory conditional cash offer made by CIMB-GK on behalf of the Offeror for all outstanding Shares other than those already owned or agreed to be acquired by the Offeror or its Concert Parties, on the terms and conditions of this Composite Document
"Share Offer Price"	HK$2.20 per Share payable under the Share Offer
"Somerley Limited"	Somerley Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, is appointed by the Company to act as the independent financial adviser to advise the Independent Board Committee, the Independent Shareholders and the Independent Optionholders in respect of the Offers
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers of Hong Kong
"US$"	United State dollars, the lawful currency of the United States of America
"**WHITE** Form of Acceptance"	the form of acceptance and transfer of the Shares in **WHITE** in respect of the Share Offer
"**YELLOW** Form of Acceptance"	the form of acceptance and cancellation of the outstanding Options in **YELLOW** in respect of the Option Offer
"%"	per cent.

FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00142)

Chairman:
Mr. Anthoni Salim

Executive Directors:
Mr. Manuel V. Pangilinan
(Managing Director and CEO)
Mr. Edward A. Tortorici
Mr. Robert C. Nicholson

Independent non-executive Directors:
Professor Edward K.Y. Chen, *GBS, CBE, JP*
Mr. Graham L. Pickles,
Mr. David W.C. Tang,
OBE, Chevalier de L'Ordre des Arts et des Lettres

Non-executive Directors:
His Excellency Albert F. del Rosario
Mr. Sutanto Djuhar
Mr. Tedy Djuhar
Mr. Ibrahim Risjad
Mr. Benny S. Santoso

Registered Office
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong
24/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

12 May 2006

To the Independent Shareholders
and the Independent Optionholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS BY
CIMB-GK SECURITIES (HK) LIMITED
ON BEHALF OF
SALERNI INTERNATIONAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF,
AND TO CANCEL ALL OUTSTANDING OPTIONS OF,
FIRST PACIFIC COMPANY LIMITED
(OTHER THAN THOSE SHARES ALREADY
BENEFICIALLY OWNED BY
SALERNI INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

The Company was notified by the Offeror on 27 April 2006 that Mr. Anthoni Salim and certain other Shareholders had agreed, pursuant to the Acquisitions, to reorganise their respective interests in the Company and the composition of their Concert Parties group and that pursuant to such reorganisation Mr. Anthoni Salim (and/or companies wholly owned by him) would increase his investment in the Company. Pursuant to the Acquisitions, the Offeror, which is a company wholly owned by Mr. Anthoni Salim, acquired all the FPIL (BVI) Shares not already owned by Mr. Anthoni Salim (or companies controlled by him), thereby increasing his interest in FPIL (BVI) from approximately 33.334% to 100% of FPIL (BVI); and shares representing 46.80% of FPIL (Liberia) thereby increasing the shareholding of Mr. Anthoni Salim's interest in FPIL (Liberia) from 10.00% to 56.80% of FPIL (Liberia). The Acquisitions were completed on 27 April 2006.

Based on the consideration under the Acquisitions for the 66,666 FPIL (BVI) Shares of approximately HK$921.49 million and for the 234 FPIL (Liberia) Shares of approximately HK$813.62 million, the implied consideration for the Offeror's acquisitions of the 66.666% attributable interest in the 628,296,599 Shares held by FPIL (BVI) and the 46.80% attributable interests in the 790,229,364 Shares held by FPIL (Liberia) is equivalent to HK$2.20 per Share.

The Share Offer is conditional upon the Offeror having received valid acceptances of the Share Offer in respect of Shares which, together with the Shares already owned or agreed to be acquired by the Offeror and its Concert Parties before or during the offer period of the Offers, will result in the Offeror and its Concert Parties holding more than 50% of the voting rights of the Company by 4:00 p.m. on the First Closing Date. The Option Offer will be subject to and conditional upon the Share Offer becoming unconditional in all respects. The Offeror does not intend to extend the offer period beyond the First Closing Date if the Offers have not become unconditional by that date, or to revise the Share Offer Price or the Option Offer Price.

The Board currently comprises one Chairman, three executive Directors, three independent non-executive Directors and five non-executive Directors. Mr. Anthoni Salim is the Chairman of the Company and a director of the Offeror. Messrs. Manuel V. Pangilinan, Edward A. Tortorici and Robert C. Nicholson are all salaried executive Directors. Messrs. Sutanto Djuhar and Tedy Djuhar, members of the Djuhar family and Mr. Ibrahim Risjad, being the non-executive Directors, constitute a concert party with the Salim Family. Mr. Benny S. Santoso is a non-executive Director and a director of the Offeror. His Excellency Albert F.del Rosario has business relationships with the Group. Accordingly, the executive Directors and the non-executive Directors are considered not sufficiently independent to participate in formulating a recommendation to the Independent Shareholders and Independent Optionholders so as to avoid any conflict of interests which may arise. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising three independent non-executive Directors, namely, Professor Edward K.Y. Chen, Messrs. Graham L. Pickles and David W.C. Tang, has been established to consider the terms of the Offers. The members of the Independent Board Committee have declared that they do not have any conflict of interest in respect of the Offers and therefore have been appointed to consider the terms of the Offers and give recommendations to the Independent Shareholders and the Independent Optionholders.

Somerley Limited has been appointed as the independent financial adviser to advise the Independent Board Committee, the Independent Shareholders and the Independent Optionholders as to whether or not the Offers are fair and reasonable so far as the Independent Shareholders and the Independent Optionholders are concerned and as to the actions to be taken by them.

The Independent Board Committee wishes to draw to the attention of the Shareholders and potential investors that the Share Offer Price represents a substantial discount to the prevailing market price of the Shares and to the Adjusted NAV per Share. Accordingly, they should pay attention to the advice of the Independent Board Committee set out on pages 26 to 27 of this Composite Document and the advice of Somerley Limited, the independent financial adviser to the Independent Board Committee, the Independent Shareholders and the Independent Optionholders set out on pages 28 to 49 of this Composite Document and the additional information contained in the Appendices to this Composite Document before taking any action in respect of the Offers.

The purpose of this letter is to provide you with, among other things, further information relating to the Group and the Offers and the recommendation of the Independent Board Committee regarding the Offers.

THE OFFERS

The Offers, comprising the Share Offer and the Option Offer, is hereby made by CIMB-GK on behalf of the Offeror on the following basis:

For each Share .... HK$2.20 in cash

For cancellation of each outstanding Option .... HK$0.44 in cash

In accordance with the Takeovers Code, the Share Offer Price has been calculated as the "see through" price paid for each Share which is derived from the consideration for the FPIL (BVI) Shares and FPIL (Liberia) Shares under the Acquisitions. The Share Offer Price so calculated is at a discount to the current market price of the Shares, and reflects the fact that it is derived from the commercially agreed terms of a reorganisation of the respective interests of the Salim Family and its concert parties within the concert party group itself. The consideration for the FPIL (BVI) Shares and FPIL (Liberia) Shares also reflects that FPIL (BVI) and FPIL (Liberia) are private non-listed companies with significant minority shareholdings and that the shares in those companies are illiquid.

Share Offer

The Share Offer Price represents:

(i) a discount of approximately 32.31% to the closing price of HK$3.25 per Share as quoted on the Stock Exchange on 27 April 2006, being the Last Trading Day;

(ii) a discount of approximately 32.31% to the average closing price of approximately HK$3.25 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 31.20% to the average closing price of approximately HK$3.198 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 42.48% to the closing price of HK$3.825 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(v) a premium of approximately 134.04% to the audited consolidated net asset value per Share of approximately HK$0.94 as at 31 December 2005 (based on the audited consolidated financial statements of the Group as at 31 December 2005 with net assets of HK$2,985.8 million as at 31 December 2005 and 3,188,833,003 Shares in issue as at 31 December 2005); and

(vi) a discount of approximately 47.74% to the Adjusted NAV per Share of approximately HK$4.21 as at 31 December 2005 as disclosed in the Company's annual report for the year ended 31 December 2005.

As at the Latest Practicable Date, the Company has 131,746,000 outstanding Options, and the exercise in full of such Options would result in the issue of an additional 131,746,000 Shares (representing 3.97% of the issued share capital of the Company as enlarged by the exercise of such number of Options). The Option Offer Price has been determined with reference to the difference between the Share Offer Price and the exercise price of HK$1.76 for each Option.

As at the Latest Practicable Date, save for the Options referred to above, the Company has no other convertible securities, options, derivatives or warrants outstanding and has not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

Total consideration for the Offers

Based on the total of 3,188,833,003 Shares in issue (of which 1,418,525,963 Shares are controlled by the Offeror and its Concert Parties) as at the Latest Practicable Date, the Share Offer values the Company at approximately HK$7,015.43 million.

Based on the Option Offer Price, the aggregate amount payable by the Offeror under the Option Offer is approximately HK$57.97 million. Assuming all the 131,746,000 Options are exercised in full and the new Shares issued as a result of such exercise are tendered in acceptance of the Share Offer, the maximum amount payable by the Offeror to meet full acceptance of the Offers will be approximately HK$4,184.52 million. As at the Latest Practicable Date, the Offeror has not received any irrevocable undertakings to or not to accept the Offers. None of the Directors intend to accept the Offers in respect of the Shares or the Options held by them.

The Offeror will be responsible for the full acceptances of the Offers. The Offeror will satisfy the maximum amount payable by it under full acceptances of the Offers in the sequential order of i) its own equity; ii) a stand-by facility granted by Bumiputra-Commerce Bank Berhad, Hong Kong Branch; and iii) the entering into of an underwriting agreement with CIMB-GK to underwrite the balance of the Shares (not already acquired by utilising the Offeror's own equity and the stand-by facility) tendered in acceptances of the Share Offer (the "Underwritten Shares") at the Share Offer Price. The Offeror, the Guarantor and CIMB-GK have entered into an underwriting agreement whereby the parties have agreed, among other things, that if the Share Offer becomes unconditional as to acceptances, CIMB-GK will purchase and/or procure purchasers, at the Share Offer Price, for the Underwritten Shares validly tendered for acceptances under the Share Offer. Pursuant to Rule 21.2 of the Takeovers Code, subject to the prior consent of the Executive and following 24 hours public notice that such sales might be made, the Offeror and its Concert Parties cannot sell the Shares during the offer period. Application has been made to the Executive seeking prior consent to the underwriting arrangements described above, under Rule 21.2 of the Takeovers Code. CIMB-GK does not intend to place or dispose of such Underwritten Shares to independent third parties at below the Share Offer Price before the close of the Offers. The Guarantor has agreed to guarantee the performance of the Offeror's obligations under the underwriting agreement.

CIMB-GK is satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offers.

Further details of the Offers including, among other things, the terms and conditions and the procedures for acceptance are set out in the letter from CIMB-GK contained in this Composite Document and Appendix I to this Composite Document and the accompanying Forms of Acceptance.

INFORMATION ON THE GROUP

The Company is a Hong Kong based investment and management company with operations located in Southeast Asia. The Company's principal business interests comprise telecommunications and consumer food products which are held through associated companies and subsidiaries. The following is a summary of the Group's audited financial results for each of the three years ended 31 December 2005:

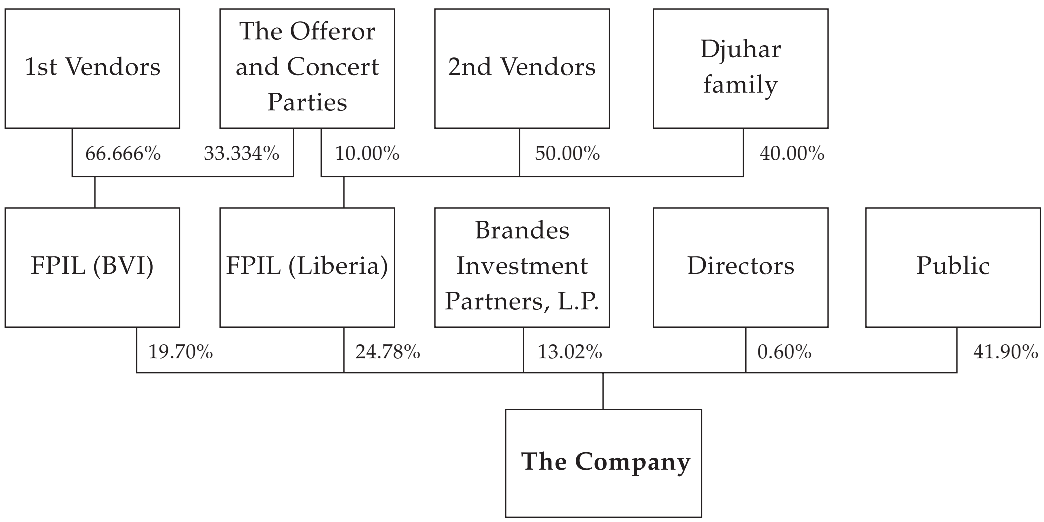
	For the year ended 31 December		
	2003	**2004**	**2005**
	(HK$ 'million)	*(HK$ 'million)*	*(HK$ 'million)*
Turnover	16,862.0	16,025.9	15,491.6
Profit attributable to shareholders	578.0	966.4	803.4

The audited consolidated net asset value of the Group amounted to approximately HK$2,985.8 million as at 31 December 2005.

Further financial information on the Group is set out in Appendix II to this Composite Document.

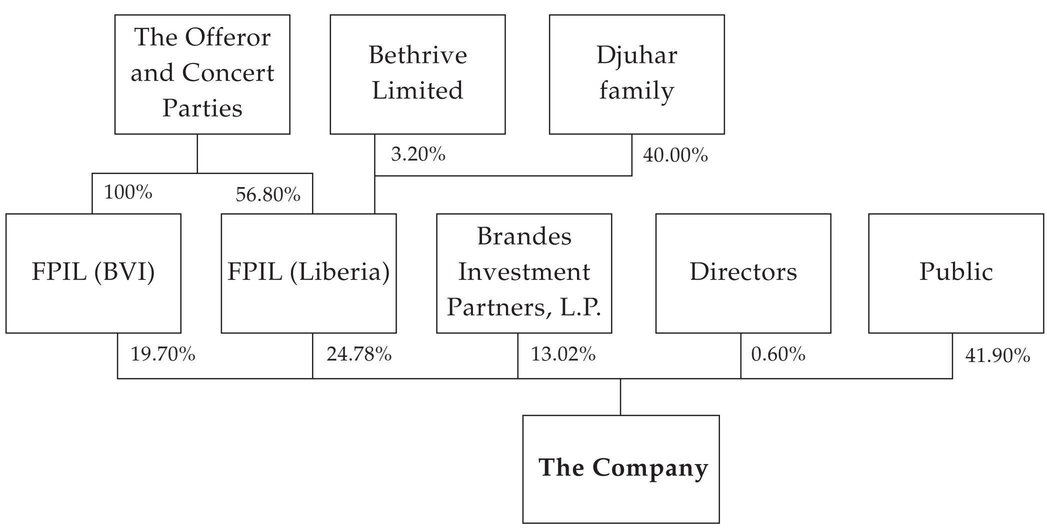
The shareholding structure of the Company before and after Completion but before the commencement of the Offers (assuming that none of the Options is exercised) is as follows:

Before Completion



Note: Based on the issued share capital of 3,188,833,003 Shares in issue as at the Latest Practicable Date.

After Completion



Note: Based on the issued share capital of 3,188,833,003 Shares in issue as at the Latest Practicable Date.

ADDITIONAL INFORMATION

In considering what action to be taken in connection with the Offers, Independent Shareholders and Independent Optionholders should consider their own tax positions and, if they are in doubt, they should consult their own professional advisers.

Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

RECOMMENDATIONS

Your attention is drawn to the letters from the Independent Board Committee and Somerley Limited, the independent financial adviser to the Independent Board Committee, the Independent Shareholders and the Independent Optionholders, set out their recommendations and opinions in relation to the Offers and the principal factors considered by them in arriving at their recommendations. The letter from the Independent Board Committee is set out on pages 26 to 27 to this Composite Document and the letter from Somerley Limited is set out on pages 28 to 49 to this Composite Document.

Yours faithfully,
For and on behalf of
First Pacific Company Limited
Robert C. Nicholson
Director

CIMB

CIMB-GK Securities (HK) Limited

25/F Central Tower,
28 Queen's Road Central,
Hong Kong

12 May 2006

To the Independent Shareholders
and the Independent Optionholders

Dear Sir or Madam,

MANDATORY CONDITIONAL CASH OFFERS BY
CIMB-GK SECURITIES (HK) LIMITED
ON BEHALF OF
SALERNI INTERNATIONAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF,
AND TO CANCEL ALL OUTSTANDING OPTIONS OF,
FIRST PACIFIC COMPANY LIMITED
(OTHER THAN THOSE SHARES ALREADY
BENEFICIALLY OWNED BY
SALERNI INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

On 28 April 2006, the Offeror and the Company announced, among other things, that the Offeror intended to make the Offers through CIMB-GK.

This letter sets out the details of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Offers are set out below in this letter and in the accompanying Forms of Acceptance.

Independent Shareholders and Independent Optionholders are strongly advised to consider carefully the information contained in the letter from the Board set out on pages 8 to 14, the letter from the Independent Board Committee set out on pages 26 to 27 and the letter from Somerley Limited, the independent financial adviser to the Independent Board Committee, the Independent Shareholders and the Independent Optionholders in relation to the Offers, set out on pages 28 to 49 of this Composite Document of which this letter forms part.

THE ACQUISITIONS

The Company was notified by the Offeror on 27 April 2006 that Mr. Anthoni Salim and certain other Shareholders had agreed, pursuant to the Acquisitions, to reorganise their respective interests in the Company and the composition of their Concert Party group and that pursuant to such reorganisation Mr. Anthoni Salim (and/or companies wholly owned by him) would increase his investment in the Company. Pursuant to the Acquisitions, the Offeror, which is a company wholly owned by Mr. Anthoni Salim, acquired all the FPIL (BVI) Shares not already owned by Mr. Anthoni Salim (or companies controlled by him), thereby increasing his interest in FPIL (BVI) from approximately 33.334% to 100% of FPIL (BVI); and shares representing 46.80% of FPIL (Liberia) thereby increasing the shareholding of Mr. Anthoni Salim's interest in FPIL (Liberia) from 10.00% to 56.80% of FPIL (Liberia). The Acquisitions were completed on 27 April 2006.

FPIL (BVI) currently holds 628,296,599 Shares, representing approximately 19.70% of the Company's issued share capital, while FPIL (Liberia) currently holds 790,229,364 Shares, representing approximately 24.78% of the Company's issued share capital.

Prior to the Completion of the Acquisitions, FPIL (BVI) was a company in which Mr. Anthoni Salim (or companies wholly owned by him) had an approximately 33.334% shareholding, with the remaining FPIL (BVI) Shares being held by companies wholly owned by Mr. Anthoni Salim's father and brother. Prior to the Completion of the Acquisitions, FPIL (Liberia) was held as to 10.00% by Mr. Anthoni Salim; 30.00% by his father Mr. Soedono Salim; 30.00% by Mr. Sutanto Djuhar; 10.00% by Mr. Tedy Djuhar; 10.00% by Mr. Ibrahim Risjad; and 10.00% by Mr. Sudwikatmono, or through companies owned by them. Messrs. Sutanto Djuhar, Tedy Djuhar and Ibrahim Risjad are each non-executive Directors, Mr. Soedono Salim is an advisor to the Board and Honorary Chairman of the Company while Mr. Sudwikatmono is an advisor to the Board and was formerly a Director.

The Salim Family and the above Djuhar family members, Messrs. Ibrahim Risjad and Sudwikatmono constituted a concert party which has been a long term investor in the Company through FPIL (BVI) and FPIL (Liberia) as the principal investment vehicles. The concert party group was led by the Salim Family and specifically by Mr. Anthoni Salim.

Pursuant to the Acquisitions, the Offeror, which is a company wholly owned by Mr. Anthoni Salim, acquired:

(a) from companies respectively wholly owned by Mr. Anthoni Salim's father and brother, all the FPIL (BVI) Shares not already owned by Mr. Anthoni Salim (or companies controlled by him), thereby increasing his interest in FPIL (BVI) from approximately 33.334% to 100% of FPIL (BVI); and

(b) shares representing 30.00% of FPIL (Liberia) from a company wholly owned by Mr. Soedono Salim (the father of Mr. Anthoni Salim); shares representing 10.00% of FPIL (Liberia) from a company wholly owned by Mr. Sudwikatmono; and shares representing 6.80% of FPIL (Liberia) from a company wholly owned by Mr. Ibrahim Risjad; thereby increasing Mr. Anthoni Salim's interest in FPIL (Liberia) from 10.00% to 56.80% of FPIL (Liberia).

MANDATORY CONDITIONAL CASH OFFERS

As at the Latest Practicable Date, the Offeror and its Concert Parties beneficially own the entire issued share capital of FPIL (BVI) and 56.80% of the issued share capital of FPIL (Liberia). Accordingly, as a result of acquiring statutory control of both FPIL (BVI) and FPIL (Liberia), the Offeror and its Concert Parties are interested in approximately 44.48% of the issued share capital of the Company as at Latest Practicable Date.

Under the "chain principle" referred to in Note 8 to Rule 26.1 of the Takeovers Code, the above reorganisation of the respective shareholding interests in FPIL (BVI) and FPIL (Liberia) and the acquisition by the Offeror and its Concert Parties of statutory control of each of those companies results in an obligation for the Offeror, pursuant to Rule 26 and Rule 13 of the Takeovers Code, to make the Offers for all the Shares and all the outstanding Options not already owned or agreed to be acquired by the Offeror or its Concert Parties.

The Offers

CIMB-GK , on behalf of the Offeror, hereby makes the conditional Offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and its Concert Parties) and all the outstanding Options in cash, on the following basis:

For each Share .... HK$2.20 in cash

For cancellation of each Option .... HK$0.44 in cash

In accordance with the Takeovers Code, the Share Offer Price has been calculated as the "see through" price paid for each Share which is derived from the consideration for the FPIL (BVI) and FPIL (Liberia) Shares under the Acquisitions. The Share Offer Price so calculated is at a discount to the current market price of the Shares, and reflects the fact that it is derived from the commercially agreed terms of a reorganisation of the respective interests of the Salim Family and its concert parties within the concert party group itself. The consideration for the FPIL (BVI) Shares and FPIL (Liberia) Shares also reflects that FPIL (BVI) and FPIL (Liberia) are private non-listed companies with significant minority shareholdings and that the shares in those companies are illiquid.

The Offeror does not intend to extend the offer period beyond the First Closing Date if the Offers have not become unconditional by that date or to revise the Share Offer Price or the Option Offer Price.

Comparison of value

The Share Offer Price represents:

- a discount of approximately 32.31% to the closing price of HK$3.25 per Share as quoted on the Stock Exchange on 27 April 2006, being the Last Trading Day;

- a discount of approximately 32.31% to the average closing price of approximately HK$3.25 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

- a discount of approximately 31.20% to the average closing price of approximately HK$3.198 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

- a discount of approximately 42.48% to the closing price of HK$3.825 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

- a premium of approximately 134.04% to the audited consolidated net asset value per Share of approximately HK$0.94 as at 31 December 2005 (based on the audited consolidated financial statements of the Group as at 31 December 2005 with net assets of HK$2,985.8 million as at 31 December 2005 and 3,188,833,003 Shares in issue as at 31 December 2005); and

- a discount of approximately 47.74% to the Adjusted NAV per Share of approximately HK$4.21 as at 31 December 2005 as disclosed in the Company's annual report for the year ended 31 December 2005.

During the period between the start of the six months preceding the date of the Joint Announcement and the Latest Practicable Date, the highest closing price of the Shares quoted on the Stock Exchange was HK$3.85 (on 8 May 2006) and the lowest closing price of the Shares quoted on the Stock Exchange was HK$2.475 per Share (on 27 October 2005).

As at the Latest Practicable Date, the Company has 131,746,000 outstanding Options, and the exercise in full of such Options would result in the issue of an additional 131,746,000 Shares (representing 3.97% of the issued share capital of the Company as enlarged by the exercise of such number of Options). The Option Offer Price has been determined with reference to the difference between the Share Offer Price and the exercise price of HK$1.76 for each Option.

As at the Latest Practicable Date, save for the Options referred to above, the Company has no other convertible securities, options, derivatives or warrants outstanding and has not entered into any agreement for the issue of any convertible securities, options, derivatives or warrants of the Company.

Total consideration for the Offers

Based on the total of 3,188,833,003 Shares in issue (of which 1,418,525,963 Shares are controlled by the Offeror and its Concert Parties) as at the Latest Practicable Date, the Share Offer values the Company at approximately HK$7,015.43 million.

Based on the Option Offer Price, the aggregate amount payable by the Offeror under the Option Offer is approximately HK$57.97 million. Assuming all the 131,746,000 Options are exercised in full and the new Shares issued as a result of such exercise are tendered in acceptance of the Share Offer, the maximum amount payable by the Offeror to meet full acceptance of the Offers will be approximately HK$4,184.52 million. As at the Latest Practicable Date, the Offeror has not received any irrevocable undertakings to or not to accept the Offers. None of the Directors intend to accept the Offers in respect of the Shares or the Options held by them.

The Offeror will be responsible for the full acceptances of the Offers. The Offeror will satisfy the maximum amount payable by it under full acceptances of the Offers in the sequential order of i) its own equity; ii) a stand-by facility granted by Bumiputra-Commerce Bank Berhad, Hong Kong Branch; and iii) the entering into of an underwriting agreement with CIMB-GK to underwrite the balance of the Shares (not already acquired by utilising the Offeror's own equity and the stand-by facility) tendered in acceptances of the Share Offer (the "Underwritten Shares") at the Share Offer Price. The Offeror, the Guarantor and CIMB-GK have entered into an underwriting agreement whereby the parties have agreed, among other things, that if the Share Offer becomes unconditional as to acceptances, CIMB-GK will purchase and/or procure purchasers, at the Share Offer Price, for the Underwritten Shares validly tendered for acceptances under the Share Offer. Pursuant to Rule 21.2 of the Takeovers Code, subject to the prior consent of the Executive and following 24 hours public notice that such sales might be made, the Offeror and its Concert Parties cannot sell the Shares during the offer period. Application has been made to the Executive seeking prior consent to the underwriting arrangements described above, under Rule 21.2 of the Takeovers Code. CIMB-GK does not intend to place or dispose of such Underwritten Shares to independent third parties at below the Share Offer Price before the close of the Offers. The Guarantor has agreed to guarantee the performance of the Offeror's obligations under the underwriting agreement.

CIMB-GK is satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offers.

Conditions of the Offers

The Share Offer is conditional upon the Offeror having received valid acceptances of the Share Offer in respect of Shares which, together with the Shares already beneficially owned or agreed to be acquired by the Offeror and its Concert Parties before or during the offer period of the Offers, will result in the Offeror and its Concert Parties holding more than 50% of the voting rights of the Company by 4:00 p.m. on the First Closing Date. The Option Offer will be subject to and conditional upon the Share Offer becoming unconditional in all respects.

If the Offeror does not receive valid acceptances of the Share Offer in respect of Shares which, together with the Shares already beneficially owned or agreed to be acquired by the Offeror and its Concert Parties before or during the offer period of the Offers, will result in the Offeror and its Concert Parties holding more than 50% of the voting rights of the Company by 4:00 p.m. on the First Closing Date, the Share Offer cannot become unconditional and the Offers will lapse forthwith. The Offeror has no intention to extend the offer period beyond the First Closing Date or to revise the Share Offer Price or the Option Offer Price.

Terms of the Offers

Acceptance of the Share Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Share Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions declared, made or paid, if any, on or after the date of the Joint Announcement.

Acceptance of the Option Offer by any Optionholder will also be deemed to constitute a warranty by such Optionholders that all Options sold by such person under the Option Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, and are to be cancelled and renounced together with all rights attaching thereto as at the date of the Joint Announcement or subsequently attaching to them.

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Independent Shareholders and Independent Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

Stamp duty

Shareholders who accept the Share Offer are liable to pay the seller's ad valorem stamp duty arising in connection with the relevant acceptance. The Offeror will pay on behalf of the accepting Shareholders the seller's ad valorem stamp duty arising in connection with the acceptances of the Share Offer amounting to HK$1.00 for every HK$1,000 or part thereof of the consideration, by deducting such stamp duty from the proceeds due to such accepting Shareholders under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible in any event within 10 days of the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid or of the date on which the Offers become, or are declared, unconditional whichever is the later.

Dealings and holdings of Shares

As at the Latest Practicable Date, the Offeror together with its Concert Parties was beneficially interested in 1,418,525,963 Shares, representing approximately 44.48% of the total issued share capital of the Company. Save for the Acquisitions, none of the Offeror, its beneficial owner and parties acting in concert with any of them has dealt in any Shares or any Options, warrants or securities convertible into Shares during the period commencing on the date falling six months prior to the date on which the Acquisitions were effected and up to the Latest Practicable Date.

Right of withdrawal

Acceptance of the Offers tendered by the Shareholders and the Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code. Rule 17 of the Takeovers Code also provides that an acceptor shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date, if the Offers have not by then become unconditional as to acceptances. Further details are set out under the paragraph headed "Right of Withdrawal" in Appendix I to this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company. Mr. Anthoni Salim, the Chairman of the Company, is interested in the entire issued capital of the Offeror. The directors of the Offeror are Messrs. Anthoni Salim, Benny Santoso (a non-executive Director) and Alamsah Suhardi. Mr. Anthoni Salim has served as a Director since 1981 and assumed the role of Chairman of the Company in June 2003.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Business and management

The Offers are triggered under the Takeovers Code as a result of a reorganisation of the respective interests of the Salim Family and its Concert Parties within the Concert Parties group itself. Accordingly, the Offeror's intention is for the Group to continue with its existing businesses. The Offeror will review the current board composition of the Group and the continued employment of the employees of the Group following the closing of the Offers. The Offeror does not intend to make any major changes to the business and assets of the Group including deployment of the fixed assets of the Group as a result of the Offers.

Maintaining of listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the closing of the Offers. The Offeror intends that, following the closing of the Offers, appropriate steps will be taken as soon as possible to ensure that not less than 25% of the Shares will be held by the public.

The Stock Exchange has stated that if, at the closing of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or

- there are too few Shares in public hands to maintain an orderly market,

then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until a sufficient level of public float is attained.

The Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and a circular to the Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power, pursuant to the Listing Rules, to aggregate a series of acquisitions or disposals of the Company and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing applicants set out in the Listing Rules.

Compulsory acquisition

Pursuant to the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise the Company by means of the Offers and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Act 1981 of Bermuda (as amended from time to time), acceptance of the Offers (in each case of the disinterested Shares or Options) and purchases made by the Offeror and its Concert Parties during the period of four months after posting of the Composite Document totalling 90% of the disinterested Shares. The Offeror has not decided whether or not to apply any right which may be made available to it under the Companies Act 1981 of Bermuda (as amended from time to time) to acquire compulsorily any Shares outstanding after the closing of the Offers.

TAXATION

Independent Shareholders and Independent Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Offers. It is emphasised that none of the Company, the Offeror or CIMB-GK or any of their respective directors or any persons involved in the Offers accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offers.

ACCEPTANCE AND SETTLEMENT

(a) Procedures for acceptance of the Offers

The Share Offer

To accept the Share Offer, you should complete the accompanying **WHITE** form of acceptance and transfer of the Shares in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.

The completed **WHITE** form of acceptance and transfer of the Shares should then be forwarded, together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand to the Registrar at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, marked "First Pacific Offer" on the envelope, as soon as practicable after receipt of this document and in any event no later than 4:00 p.m. on Friday, 2 June 2006, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

The Option Offer

To accept the Option Offer, you should complete the **YELLOW** form of acceptance and cancellation of the outstanding Options which is obtainable from the head office and principal place of business of the Company at 24/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.

The completed **YELLOW** form of acceptance and cancellation of the outstanding Options should then be forwarded, together with the relevant Option certificate(s) (if any) stating the number of Options for not less than the number of Options in respect of which you intend to accept the Option Offer, by post or by hand to the company secretary of the Company at 24/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, marked "First Pacific Offer" on the envelope, as soon as practicable after receipt of this Composite Document and in any event no later than 4:00 p.m. on Friday, 2 June 2006, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) Settlement of the Offers

The Share Offer

Provided that the Offers become or are declared unconditional and the relevant **WHITE** form(s) of acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and received by the Registrar, a cheque for the amount representing the cash consideration (after deducting the relevant seller's ad valorem stamp duty payable by you) due to you in respect of the Shares tendered by you under the Share Offer will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 10 days of the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar or of the date on which the Share Offer becomes, or is declared, unconditional, whichever is later.

The Option Offer

Provided that the Offers become or are declared unconditional and the relevant **YELLOW** form of acceptance and cancellation of the outstanding Options (and/or any satisfactory indemnity or indemnities required in respect thereof) and Option certificate(s) (if any) are in complete and good order in all respects and received by the company secretary of the Company, a cheque for the amount representing the cash consideration due to you in respect of the Options tendered by you for cancellation under the Option Offer will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 10 days of the date on which all the relevant documents which render such acceptance complete and valid are received by the company secretary of the Company or of the date on which the Option Offer becomes, or is declared, unconditional, whichever is later.

Settlement of the consideration to which any accepting Shareholder and/or Optionholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder and Optionholder.

GENERAL

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Shares, whose investments are registered in nominee names, to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittances sent to the Shareholders and Optionholders by post will be sent to them at their own risk. Such documents and remittances will be sent to the Shareholders and the Optionholders at their addresses as they appear in the register of members of the Company or the register of Optionholders (as the case may be) or, in the case of joint Shareholders, to the Shareholder whose name stands first in the register of members of the Company, as applicable. None of the Offeror, the Company, CIMB-GK or any of their respective directors or any other persons involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is also drawn to the accompanying Forms of Acceptance and the additional information set out in the appendices which form part of this Composite Document.

Yours faithfully,
For and on behalf of
CIMB-GK Securities (HK) Limited

Alex Lau	**Flavia Hung**
Executive Vice President	*Senior Vice President*

FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00142)

To the Independent Shareholders and
the Independent Optionholders

12 May 2006

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS BY
CIMB-GK SECURITIES (HK) LIMITED
ON BEHALF OF
SALERNI INTERNATIONAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF,
AND TO CANCEL ALL OUTSTANDING OPTIONS OF,
FIRST PACIFIC COMPANY LIMITED
(OTHER THAN THOSE SHARES ALREADY
BENEFICIALLY OWNED BY
SALERNI INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the Composite Document dated 12 May 2006 jointly issued by the Company and the Offeror of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

As the Directors who are independent of the parties to the Offers, we have been appointed as members of the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Independent Optionholders are concerned. Somerley Limited has been appointed as the independent financial adviser to advise us in respect of the terms of the Offers. Details of the advice from Somerley Limited and the principal factors taken into consideration in arriving at its recommendation are set out on pages 28 to 49 of the Composite Document. Somerley Limited considers that the terms of the Offers are not fair and reasonable and advises us to recommend you to consider not accepting the Offers.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from CIMB-GK; (iii) the letter from Somerley Limited; and (iv) the additional information set out in the appendices to the Composite Document.

RECOMMENDATION

Having taking into account the terms of the Offers and the advice from Somerley Limited, we consider that (i) the terms of the Offers are not fair and reasonable so far as the Independent Shareholders and the Independent Optionholders are concerned and, accordingly, we recommend the Independent Shareholders and the Independent Optionholders not to accept the Offers.

Notwithstanding our recommendations, you should consider carefully the terms of the Offers.

Yours faithfully,
On behalf of the
Independent Board Committee
Professor Edward K.Y. Chen, *GBS, CBE, JP*
Mr. Graham L. Pickles
Mr. David W.C. Tang,
OBE, Chevalier de L'Ordre des Arts et des Lettres
Independent non-executive Directors

The following is the text of a letter of advice from Somerley Limited, the independent financial adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation into this document, setting out its advice to the Independent Board Committee, the Independent Shareholders and the Independent Optionholders in connection with the Offers.

SOMERLEY LIMITED
Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

12 May 2006

The Independent Board Committee
First Pacific Company Limited
24th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

MANDATORY CONDITIONAL CASH OFFERS TO ACQUIRE ALL THE ISSUED SHARES AND TO CANCEL ALL OUTSTANDING OPTIONS OF FIRST PACIFIC COMPANY LIMITED (OTHER THAN THOSE ALREADY BENEFICIALLY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR OR PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee, the Independent Shareholders and the Independent Optionholders in connection with the Offers. Details of the Offers are contained in the composite offer document addressed to the Independent Shareholders and the Independent Optionholders dated 12 May 2006 (the "Composite Document"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

On 27 April 2006, Mr. Anthoni Salim and certain other Shareholders agreed to reorganise their respective interests in the Company and the composition of their Concert Party group. Pursuant to the Acquisitions, the Offeror, a company wholly owned by Mr. Anthoni Salim, has acquired (i) all the FPIL (BVI) Shares not already owned by Mr. Anthoni Salim (or companies controlled by him) for an aggregate consideration of approximately HK$921.49 million, thereby increasing his interest in FPIL (BVI) from approximately one-third to 100%; and (ii) a 46.80% equity interest in FPIL (Liberia) for an aggregate consideration of approximately HK$813.62 million, thereby increasing his interest in FPIL (Liberia) from 10.00% to 56.80%.

As at the Latest Practicable Date, FPIL (BVI) held 628,296,599 Shares, representing approximately 19.70% of the issued share capital of the Company and FPIL (Liberia) held 790,229,364 Shares, representing approximately 24.78% of the issued share capital of the Company. Accordingly, following Completion, Mr. Anthoni Salim and parties acting in concert with him control approximately 44.48% of the issued share capital of the Company.

Based on the consideration under the Acquisitions for approximately two-third equity interest in FPIL (BVI) of approximately HK$921.49 million and 46.80% equity interest in FPIL (Liberia) of approximately HK$813.62 million, the implied consideration for the Offeror's acquisitions of approximately two-third attributable interest in the 628,296,599 Shares held by FPIL (BVI) and 46.80% attributable interest in the 790,229,364 Shares held by FPIL (Liberia) is equivalent to approximately HK$2.20 per Share.

As at the Latest Practicable Date, the Company had in aggregate 131,746,000 outstanding Options granted under the share option scheme of the Company entitling the Optionholders to subscribe for an aggregate of 131,746,000 Shares at an exercise price of HK$1.76 per Share.

The Acquisitions were completed on 27 April 2006. Under Rule 26 of the Takeovers Code, the Offeror is required to make the Share Offer to acquire all the issued Shares held by the Independent Shareholders and under Rule 13 of the Takeovers Code to make an appropriate offer to the Independent Optionholders for all outstanding Options held by them.

The Board currently consists of the Chairman, three executive Directors, five non-executive Directors and three independent non-executive Directors. In accordance with Rule 2.8 of the Takeovers Code, members of the Independent Board Committee should comprise all non-executive Directors who have no direct or indirect interest in the Offers. Messrs. Sutanto Djuhar and Tedy Djuhar, members of the Djuhar family, and Mr. Ibrahim Risjad, being the non-executive Directors, constitute a concert party with the Salim Family. Mr. Benny S. Santoso is a non-executive Director and a director of the Offeror. His Excellency Albert F.del Rosario has business relationships with the Group. Consequently, the three independent non-executive Directors have been appointed to constitute the Independent Board Committee in respect of the Offers. Somerley Limited has been appointed to advise the Independent Board Committee in connection with the Offers and in particular as to whether the terms of the Offers are fair and reasonable and to give an opinion and recommendation as regards acceptance of the Offers.

Somerley Limited is not associated with the Offeror or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Offers. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeror or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and advice, we have reviewed, among other materials, the audited consolidated financial statements of the Group for the three years ended 31 December 2005 and certain correspondence relating to the reorganisation of the shareholdings in the Company by the Salim Family and their Concert Parties. We have relied on the information and facts supplied, and the opinions expressed, by the Directors, which we have assumed to be true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them to us in connection with the Group and the Offers. We consider that the information which we have received is sufficient to enable us to reach our opinion and give the advice set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in this Composite Document are true at the date of this Composite Document and will continue to be true during the period the Offers remain open for acceptance. However, we have not conducted any independent investigation into the businesses and affairs of the Group.

TERMS OF THE OFFERS

The Offeror is an investment holding company wholly owned by Mr. Anthoni Salim, the Chairman and a substantial shareholder of the Company. At the request of the Independent Board Committee, we have contacted Mr. Anthoni Salim who has confirmed to us that the Offers are not part of any scheme or reorganisation involving assets of the Group and that the Share Offer and the corresponding Option Offer are only being made to comply with the Takeovers Code. Further, Mr. Salim has no present intention of on-selling his interests in FPIL (BVI) or FPIL (Liberia) to a third party, or that FPIL (BVI) or FPIL (Liberia) should sell any part of their holding of the Shares.

Further information of the Offeror is set out in the "Letter from CIMB-GK" contained in this Composite Document. As stated in the "Letter from CIMB-GK" contained in this Composite Document, the Offeror intends that the Group will continue its existing businesses in the future. Following the close of the Offers, the Offeror will review the composition of the boards of directors and the continued employment of the employees of the Group. The Offeror does not intend to make any major changes to the business and assets of the Group including deployment of the fixed assets as a result of the Offers.

The terms set out below are summarised from the "Letter from CIMB-GK" in this Composite Document, with some additional comments from ourselves. Independent Shareholders and Independent Optionholders are encouraged to read the relevant section in full.

1. The Share Offer

The Share Offer is being made for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it on the following basis:

For each Share .... HK$2.20 in cash

The Shares will be acquired free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions declared, made or paid, if any, on or after the date of the Joint Announcement.

2. The Option Offer

(i) Outstanding Options

As at the Latest Practicable Date, the outstanding Options granted by the Company under the share option scheme were as follows:

Optionholders	Number of the Options	Exercise period	Exercise price per Share *HK$*
Three executive Directors	88,100,000	June 2005 to May 2014	1.76
Two non-executive Directors	5,680,000	June 2005 to May 2014	1.76
Two independent non-executive Directors	5,680,000	June 2005 to May 2014	1.76
Senior executives of the Group	32,286,000	June 2005 to May 2014	1.76
	131,746,000		

Pursuant to the terms of the share option scheme, in the event of a general offer being made to all the Shareholders and such offer becomes or is declared unconditional prior to the expiry date of the relevant outstanding Options, the Company shall give notice to the Optionholders that they are entitled to exercise the Options in whole or in the amount as specified by the

Company in such notice at any time within the period of time set by the Company. The outstanding Options will lapse automatically and not be exercisable on the expiry of the period specified in the notice. In the event that any of the outstanding Options are exercised before the close of the Offers in accordance with the provisions of the share option scheme, any Shares issued as a result thereof will be subject to the Share Offer.

(ii) Terms of the Option Offer

The Option Offer is being made to the Independent Optionholders for the outstanding Options they renounce and surrender for cancellation on the following basis:

For cancellation of each Option .... HK$0.44 in cash

No stamp duty is payable in relation to the acceptance of the Option Offer.

Under Rule 13 of the Takeovers Code, where an offer is made for shares, and options are also outstanding, the offeror must make an appropriate offer or proposal to the holders of the options to ensure that their interests are safeguarded. Equality of treatment is required. The formula set out above, which is the "see through" price, i.e., the Share Offer Price less the exercise price in respect of the outstanding Options, is the normal basis adopted.

By accepting the Option Offer, the Independent Optionholders will renounce and agree to the cancellation of relevant outstanding Options. All rights under the outstanding Options shall thereupon lapse and be fully discharged and be of no further effect.

3. Conditions

The Share Offer is conditional upon the Offeror having received valid acceptances of the Share Offer in respect of Shares which, together with the Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the offer period of the Offers, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company by 4:00 p.m. on the First Closing Date.

The Option Offer will be subject to and conditional upon the Share Offer becoming unconditional in all respects.

If the Offeror does not receive valid acceptances of the Share Offer in respect of Shares which, together with the Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offers, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company by 4:00 p.m. on the First Closing Date, the Share Offer cannot become unconditional and the Offers will lapse forthwith.

The Offeror has no intention to extend the offer period beyond the First Closing Date if the Offers have not become unconditional by that date or to revise the Share Offer Price or the Option Offer Price. None of the Directors intend to accept the Offers in respect of the Shares or the Options held by them.

4. Maintaining the listing of the Company

Shareholders should be aware that, if the number of Shares held by the public, as defined in the Listing Rules, falls below 25% of the issued Shares, trading in the Shares may be suspended. It is stated in the "Letter from CIMB-GK" that it is the intention of the Offeror to maintain the listing of the Shares on the Stock Exchange after the closing of the Offers. The Offeror intends to take appropriate steps (if necessary) as soon as possible following the closing of the Offers to ensure that not less than 25% of the Shares will be held by the public.

5. Compulsory acquisition

If the Offeror acquires the prescribed percentage of Shares as required by the relevant provisions of the Companies Act 1981 of Bermuda, the Offeror may consider exercising the compulsory acquisition powers under the relevant provisions of the Companies Act 1981 of Bermuda.

Rule 2.11 of the Takeovers Code states that, except with the consent of the Executive, where any person seeks to acquire or privatise a company by means of an offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by law, acceptances of the offer and purchases (in each case of the disinterested shares) made by the Offeror and persons acting in concert with it during the period of four months after posting the Composite Document total 90% of the disinterested shares.

The Offeror has not decided, in the event that the Offeror is permitted to do so under the Companies Act 1981 of Bermuda, whether to effect the compulsory acquisition of the Company.

If the level of acceptances reaches the prescribed level under the Companies Act 1981 of Bermuda and Rule 2.11 of the Takeovers Code permits a compulsory acquisition and the Offeror proceeds with the privatisation of the Company, dealings in the Shares would be suspended from the eventual closing date of the Offers and the listing of the Shares would in due course be withdrawn from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

For the reasons set out below, we consider the terms of the Offers not fair and reasonable and do not recommend acceptance.

BACKGROUND TO AND TERMS OF THE ACQUISITIONS

In the early 1980s, the Salim Family together with parties acting in concert with it acquired First Pacific Finance Limited, First Pacific Holdings Limited and First Pacific International Limited, the latter two of which were listed on one or other of the stock exchanges then operating in Hong Kong. Subsequently, these two listed companies were merged by way of a scheme of arrangement, creating the Company. Mr. Anthoni Salim has served as a Director since 1981 and assumed the role of Chairman of the Company in June 2003.

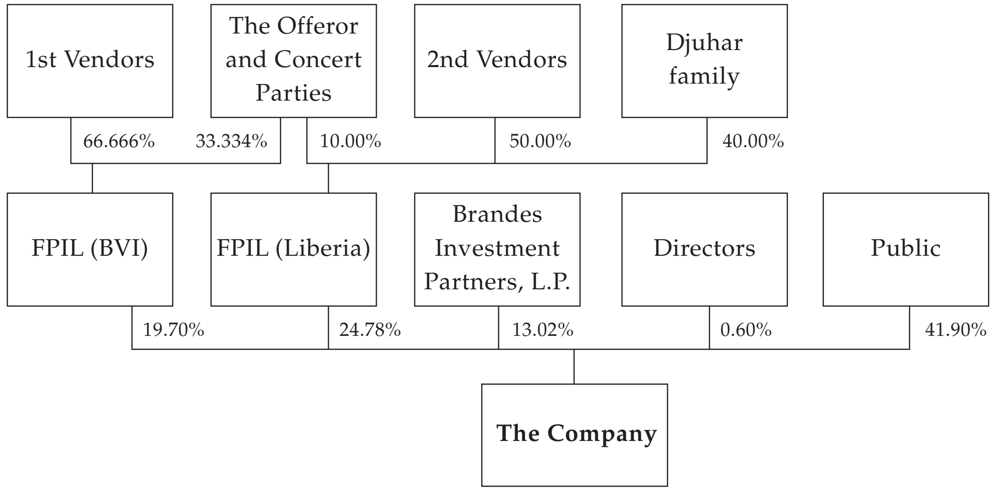
A controlling block in the Company (currently approximately 44.48% of the issued share capital of the Company) has been held through a structure involving FPIL (BVI) and FPIL (Liberia) since 1996. FPIL (BVI) and FPIL (Liberia) currently hold approximately 19.70% and 24.78% of the issued share capital of the Company respectively.

Before completion of the Acquisitions on 27 April 2006, FPIL (BVI) was owned approximately one third each by Mr. Anthoni Salim, his father and his brother or respective companies controlled by them. Under the terms of the Acquisitions, Mr. Anthoni Salim has acquired 100% equity interest of FPIL (BVI) and so fully controls the 19.70% block.

As regards FPIL (Liberia), Mr. Anthoni Salim, has acquired 30.00% from a company wholly owned by his father. He has also acquired 10.00% from a company owned by Mr. Sudwikatmono, an adviser to the Board, and 6.80% (out of a total holding of 10.00%) from a company wholly owned by Mr. Ibrahim Risjad, a non-executive Director. These acquisitions, together with his existing stake of 10.00%, brings Mr. Anthoni Salim's stake in FPIL (Liberia) to 56.80%. The remaining shareholding in FPIL (Liberia) is held by the Djuhar family (40.00%) and Mr. Ibrahim Risjad (3.20%).

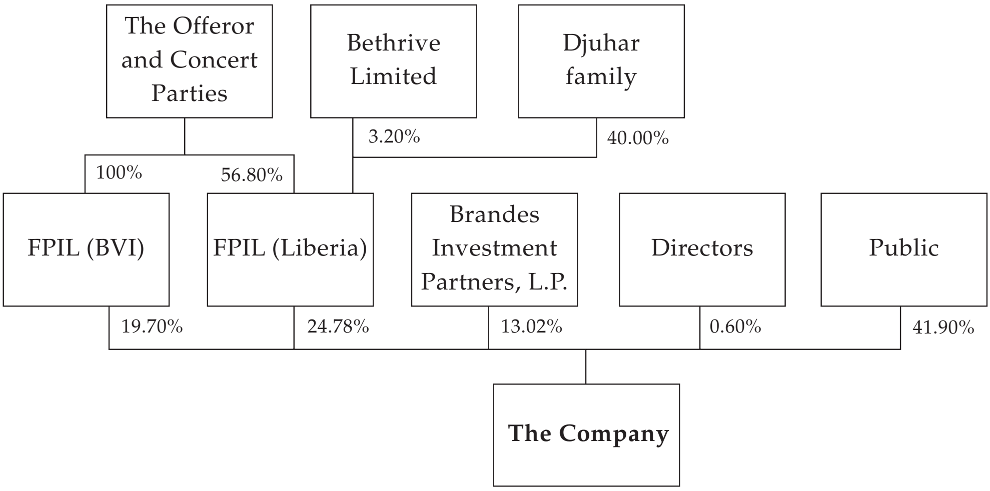
Charts of the shareholding structure before and after Completion are as follows:

Before Completion



Note: Based on 3,188,833,003 Shares in issue as at the Latest Practicable Date.

After Completion



Note: Based on 3,188,833,003 Shares in issue as at the Latest Practicable Date.

The only material assets of FPIL (BVI) are the shares of the Company while the only material assets of FPIL (Liberia) are the shares of the Company and loans due from shareholder(s) of approximately US$55 million. The prices paid by Mr. Anthoni Salim for the interests in FPIL (BVI) and FPIL (Liberia) are equivalent, on a "see through" basis attributable to the underlying Shares held by FPIL (BVI) and FPIL (Liberia), to a price of HK$2.20 per Share. This is considerably below recent market prices for the Shares. However, there is a considerable difference, in our view, between the appropriate price for a direct holding of listed shares and an indirect holding through a minority stake in a private company, which is illiquid. We understand that there were no shareholder agreements or other arrangements in place relating to FPIL (BVI) or FPIL (Liberia) which would give a minority shareholder any additional influence over those companies. In addition, the price was derived from the commercially agreed terms of a wider reorganisation and was no doubt influenced by the fact that the primary vendor was Mr. Anthoni Salim's father.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion with regard to the Offers, we have taken into consideration the following principal factors and reasons:

1. Business and prospects of the Group

The Company is a Hong Kong based investment and management company with operations located in Southeast Asia. The Group is principally engaged in manufacturing, distributing consumer food products and operating property and transportation businesses. The Group, through its associated companies, also engages in telecommunication business.

The principal investments of the Group are Philippine Long Distance Telephone Company ("PLDT"), an associated company in which the Group holds approximately 24.5% economic interest, PT Indofood Sukses Makmur Tbk ("Indofood"), an approximately 51.5% owned subsidiary, Metro Pacific Corporation ("Metro Pacific"), an approximately 75.5% owned subsidiary and Level Up! International Holdings Pte Limited ("Level Up"), a 25.0% owned associated company.

PLDT, an associated company of the Group, is one of the leading telecommunications companies in the Philippines providing wireless, fixed line, cellular and information and communications technology services. In March 2005, the Group acquired a 25.0% equity interest in Level Up, the principal activity of which is the provision of online games in emerging markets. Level Up currently operates in the Philippines, Brazil and India.

Indofood, a subsidiary of the Group, is principally engaged in manufacturing and distributing consumer food products in Indonesia. The consumer food products include flour, pasta, noodles, food seasonings, snack foods, edible oils and fats. Metro Pacific is a subsidiary of the Group, the principal activities of which are developing real estate and providing transportation services in the Philippines.

In 2005, the Group recorded an audited consolidated profit for the year attributable to the Shareholders of approximately US$103.0 million (equivalent to approximately HK$803.4 million) and had audited consolidated net assets attributable to the Shareholders of approximately US$382.8 million (equivalent to approximately HK$2,985.8 million).

The 76-year old PLDT is a leading telecommunication company principally engaged in the provision of fixed line, mobile phone, broadband and outsourced call centre services in the Philippines. PLDT commercially launched its 3G services in May 2006 and is now making new investments in its IP-based Next Generation Network capable of handling greater amounts of data communications, as well as providing traditional products such as voice – all at much lower infrastructure and delivery costs. The management of PLDT aims to increase its dividend payout to 60.00% of 2006 core earnings. Accordingly, the Directors consider that the prospects of PLDT are, in general, promising.

Following the implementation of strategic repositioning program in 2004, Indofood is undergoing a restructuring progress to streamline its lines of business to enhance its operating efficiencies and further strengthen its market leadership in consumer food products in Indonesia. Though profit margins are under pressure due to escalating operating costs, the Directors remain confident on the prospects of Indofood following completion of its restructuring.

On 27 March 2006, Metro Pacific announced a recapitalisation and reorganisation plan to eliminate accumulated losses by reducing its capital including the exchange of the shares of Metro Pacific into shares of a new corporate holding company. Rights issues will also be conducted by the new corporate holding company to raise approximately US$50.9 million. The plan is expected to be completed in September 2006. Should the plan be completed successfully, Metro Pacific will be put back on its feet after a long period of difficulty.

The Company is an index member of Hang Seng Hong Kong Small-cap Index. However, we do not consider any other members of Hang Seng Hong Kong Small-cap Index have businesses and a structure which are similar to that of the Group. We have also considered conglomerates listed in Hong Kong, but none of them has a structure and businesses similar to that of the Group. Due to the unusual features of the Company with the majority of profit contributed by associated companies, we cannot identify any companies listed in Hong Kong which we consider useful comparables for the purpose of evaluating the terms of the Offers.

2. Past results of the Group

The following table summarises the audited consolidated results of the Group for each of the three years ended 31 December 2005 extracted from the 2004 and 2005 annual reports of the Group. The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "Revised HKFRSs") taking effect for accounting periods beginning on or after 1 January 2005. Figures for 2004 have been adjusted in accordance with the Revised HKFRSs but not for the 2003 figures because the Company finds it impracticable to restate such figures. Further details of the results and other financial information of the Group are set out in Appendix II to this Composite Document.

	For the year ended 31 December 2005 US$ million	2004 US$ million	2003 US$ million
Total revenue			
– Telecommunications *(Note 1)*	–	–	–
– Consumer food products	1,923.4	1,995.8	2,090.1
– Property and transportation	62.7	58.8	71.7
– Head office	–	–	–
	1,986.1	2,054.6	2,161.8
Segment results			
– Telecommunications *(Note 1)*	–	–	–
– Consumer food products	164.8	189.1	184.7
– Property and transportation	28.8	34.2	62.1
– Head office	(58.6)	(16.0)	(25.8)
	135.0	207.3	221.0
Net borrowing costs	(107.3)	(111.9)	(115.8)
Share of profits less losses of associated companies			
– Telecommunications	141.8	87.8	51.6
– Consumer food products	(4.2)	(1.8)	(0.4)
– Property and transportation	0.1	(0.1)	20.1
– A discontinued operation	–	–	(6.3)
Profit before taxation	165.4	181.3	170.2
Taxation	(26.6)	(31.9)	(35.2)
Profit after taxation *(Note 2)*	–	–	135.0
Profit for the year from continuing operations *(Note 2)*	138.8	149.4	–
Profit for the year from a discontinued operation *(Note 2)*	–	18.8	–
Minority interest	(35.8)	(44.3)	(60.9)
Profit attributable to equity holders of the Company	103.0	123.9	74.1
Earnings per share attributable to equity holders of the Company – Basic (U.S. cents)	3.23	3.89	2.33

Notes:

(1) The telecommunication businesses are carried out by the associated companies of the Group. Thus, no revenue or segment results are recognised by the Group.

(2) Profits from continuing and discontinued operations were not shown in 2004 audited accounts and only profit after taxation was disclosed in the 2004 audited accounts.

(i) *Financial year 2004*

(a) Telecommunications

The increase in share of profits less losses of associated companies from US$51.6 million in 2003 to US$87.8 million in 2004 was mainly due to the improvement of the operating results of PLDT especially in its wireless businesses as the Philippine cellular market continued to expand.

(b) Consumer food products

The consumer food products businesses were carried out by Indofood. The improvement in the segment results from US$184.7 million in 2003 to US$189.1 million in 2004 was small, mainly due to increasing competition for Indofood's noodle businesses.

(c) Property and transportation

Metro Pacific was principally engaged in property and transportation businesses and encountered financial difficulties. Corporate rehabilitation exercises were conducted with an aim to reduce its gearing level and rebuild its business. Both total revenue and segment results in respect of property and transportation businesses dropped. The Group shared the non-recurring profits from associated companies of approximately US$20 million in 2003 due to gains realised from various debt reduction and restructuring exercises.

(ii) *Financial year 2005*

(a) Telecommunications

Profits less losses of associated companies improved from US$87.8 million in 2004 to US$141.8 million in 2005 primarily due to better results achieved by PLDT. During the year, PLDT launched a number of promotions and this resulted in an increase of approximately 10.40% in revenue from wireless service.

The Group acquired a 25% interest in Level Up in March 2005 and recorded a negative contribution of approximately US$1.5 million for its share of Level Up's post-acquisition loss, arising mainly from start up costs in Level Up's Brazilian and Indian operations.

(b) Consumer food products

The total revenue and segment results from consumer food products decreased by approximately 3.63% to US$1,923.4 million and 12.85% to US$164.8 million in 2005. Such drop was due to unfavourable macroeconomic climate, weak currency, increased fuel costs and more intense competition in the food sector in Indonesia.

(c) Property and transportation

Metro Pacific was undergoing its debt reduction and corporate rehabilitation program during this period. The increase of fuel costs in 2005 also adversely affected the transportation segment results. Accordingly, the segment results in respect of property and transportation remained weak.

3. Net asset value of the Group and "underlying worth" as shown in the 2005 annual report

The following table summarises the audited consolidated balance sheet of the Group as at 31 December 2005, which is set out in full in Appendix II to this Composite Document:

	US$ million
Non-current assets	
Property and equipment	622.9
Plantations	169.0
Associated companies	381.7
Accounts receivable, other receivables and prepayments	11.7
Goodwill	32.7
Prepaid land premiums	34.5
Available-for-sale assets/long-term investments	2.7
Deferred tax assets	15.4
Other non-current assets	130.8
	1,401.4
Current assets	
Cash and cash equivalents	296.0
Restricted cash	4.7
Available-for-sale assets/short-term investments	52.4
Accounts receivable, other receivables and prepayments	286.7
Inventories	303.0
Non-current assets held for sale	2.9
	945.7
Current liabilities	
Accounts payable, other payables and accruals	(278.6)
Short-term borrowings	(345.0)
Provision for taxation	(11.2)
Current portion of deferred liabilities and provisions	(15.3)
	(650.1)
Non-current liabilities	
Long-term borrowings	(744.2)
Deferred liabilities and provisions	(92.7)
Deferred tax liabilities	(114.1)
Derivative liability	(39.3)
	(990.3)
Minority interest	(323.9)
Audited net assets attributable to the Shareholders as at 31 December 2005	382.8

The Group's plantations mainly represented palm trees planted for the production of crude palm oil and palm kernel oil. The other non-current assets are primarily composed of assets not yet in operation, claims for tax refund and deferred charges. The long-term borrowings include exchangeable notes in the amount of US$193.1 million (with a face value of US$199.0 million) issued by a wholly-owned subsidiary of the Company. The exchangeable notes are exchangeable into shares of PLDT at an initial conversion premium of 21%, which translates into conversion price of US$29.33 per PLDT share.

As at 31 December 2005, the Group had a gearing ratio of approximately 111.57%, calculated as the net borrowings (total borrowings net of both cash and cash equivalents and restricted cash) of approximately US$788.5 million over equity attributable to the Shareholders and minority interest of approximately US$706.7 million. Based on (i) the indebtedness statement of the Group as at 31 March 2006 set out in Appendix II to the Composite Document and (ii) the audited cash and cash equivalents, restricted cash and equity attributable to the Shareholders and minority interest of the Group as at 31 December 2005, the gearing ratio of the Group rose to approximately 119.70% with net borrowings of approximately US$845.9 million.

Based on the audited consolidated net assets of the Group attributable to the Shareholders as at 31 December 2005 of approximately US$382.8 million and the 3,188.8 million Shares then in issue, the book value per Share as at 31 December 2005 amounted to US$0.12 (equivalent to approximately HK$0.94 per Share).

However, this picture of rather low net worth and high gearing changes greatly if PLDT and Indofood, companies listed in the Philippines and Indonesia respectively, are valued at the market price of their shares rather than book value.

As extracted from the 2005 annual report of the Company, the Directors consider the Group's underlying worth on this basis as follows:

		As at 31 December	
US$ million	*Basis*	**2005**	**2004**
PLDT	*(i)*	1,491.5	999.0
Indofood	*(i)*	407.0	378.6
Level Up	*(ii)*	15.0	–
Head office			
– net debt		(152.6)	(103.3)
– derivative liability	*(iii)*	(39.3)	–
Total	*(iv)*	1,721.6	1,274.3
Number of Shares in issue (million)		3,188.8	3,186.0
Adjusted net asset value ("Adjusted NAV") per Share			
– US$		0.54	0.40
– HK$		4.21	3.12
Share closing price (HK$)		3.00	2.08
Discount of the Share closing price to the Adjusted NAV per Share (%)		28.7	33.3
Share Offer Price (HK$)		2.20	2.20
Discount of the Share Offer Price to the Adjusted NAV per Share (%)		47.7	29.5

(i) *The values are determined by multiplying the quoted share prices of PLDT and Indofood as at the balance sheet date by the respective economic interests held by the Group.*

(ii) *Level Up was acquired by the Group in March 2005 and its value is based on the investment cost.*

(iii) *Representing the fair value of the option element embedded in the exchangeable notes.*

(iv) *No value has been attributed to the Group's investment in Metro Pacific or Mobile-8 (an Indonesian telecommunication company of which the Group had an interest of approximately 7.5%) as they have been fully written off in the accounts of the Group.*

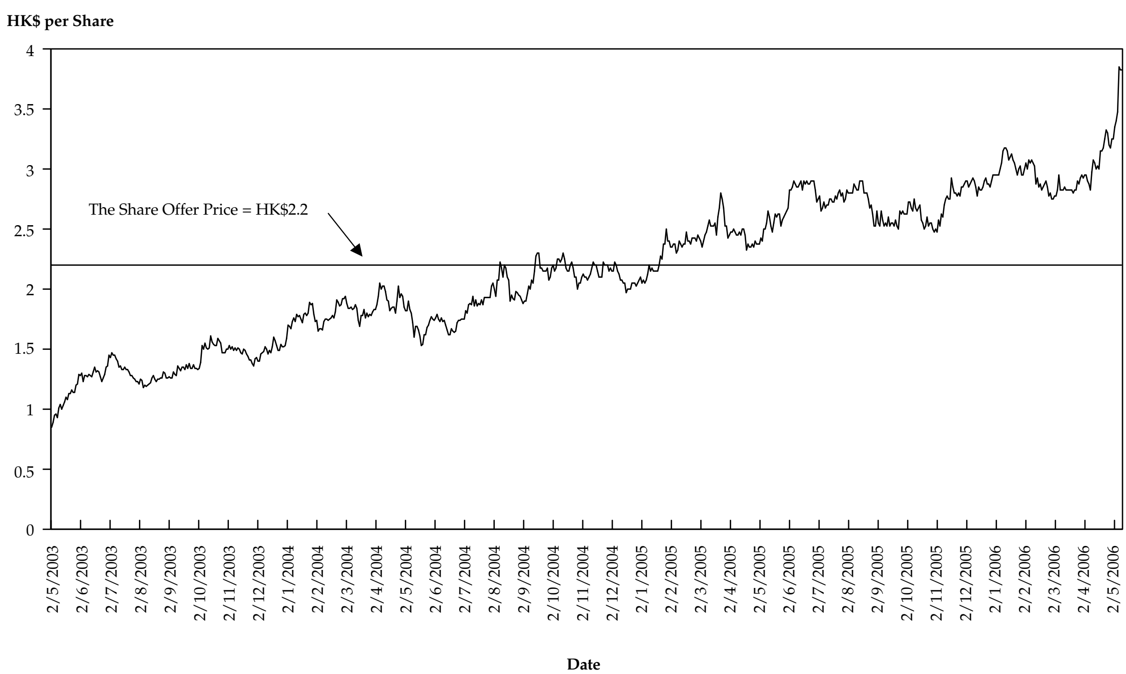
Based on the market price of Indofood and PLDT of Rupiah 1,130 per share and Pesos 2,045 per share respectively as at 28 April 2006, the last trading day of the month of April, the aggregate values of Indofood shares and PLDT shares held by the Group as at 31 December 2005 would be approximately US$565.5 million and US$1,704.3 million respectively. If these values at 28 April 2006 were substituted for the values at 31 December 2005 set out above, the adjusted value of the Company and its Adjusted NAV (the "Readjusted NAV") per Share would be approximately HK$16,324.6 million and HK$5.12 respectively. Since the market prices of Indofood and PLDT have been updated while other items such as net debt and derivative liability remain the same as at 31 December 2005, the Readjusted NAV per Share of HK$5.12 should be treated as an approximation only for Independent Shareholders' and Independent Optionholders' information. Based on the Share closing price of HK$3.25 per Share as quoted on the Stock Exchange on 27 April 2006 (trading in the Shares was suspended on 28 April 2006 pending the release of the Joint Announcement) and the Share Offer Price of HK$2.20 per Share, the discount to the Readjusted NAV per Share would be approximately 36.52% and 57.03% respectively.

4. Trading in the Shares on the Stock Exchange

(i) Share price

Chart 1 below illustrates the daily closing price per Share as quoted on the Stock Exchange from 1 May 2003 up to and including the Latest Practicable Date (the "Period").

Chart 1



Source: Bloomberg

Chart 2 below shows the performance of the Share price relative to the Hang Seng Index and the Hang Seng Small-cap Index (of which the Company is a member) during the Period.

Chart 2

Source: Bloomberg

As shown in Chart 1, the Shares have been consistently trading at a level above the Share Offer Price of HK$2.2 per Share for well over a year, since mid January 2005. As illustrated in Chart 2, the Shares have out-performed the Hang Seng Index and the Hang Seng Hong Kong Small-cap Index for most of the time during the Period.

In general, the closing price of the Shares has shown an upward trend during the Period. The Shares tended to be "capped" at a price of HK$3 per Share prior to 3 April 2006, being the first trading day immediately after the publication of the results announcement of the Group for the year ended 31 December 2005. Thereafter, the Shares traded within the range of HK$2.975 to HK$3.25 per Share and closed at HK$3.325 per Share on 21 April 2006. This is the highest closing price of the Share during the period from 1 May 2003 to 27 April 2006, being the Last Trading Day before the release of the Joint Announcement. We consider that the rise in Share price during the period from 3 April 2006 to 21 April 2006 might be largely prompted by the issuance of the final results announcement of the Group and the good stock market sentiment.

The Share Offer Price represents:

(a) a discount of approximately 32.31% to the closing price of the Shares as quoted on the Stock Exchange of HK$3.25 per Share on the Last Trading Day;

(b) a discount of approximately 32.31% to the average closing price of the Shares of approximately HK$3.25 per Share for the five trading days up to and including the Last Trading Day;

(c) a discount of approximately 31.20% to the average closing price of the Shares of approximately HK$3.198 per Share for the ten trading days up to and including the Last Trading Day;

(d) a discount of approximately 21.48% to the average closing price of the Shares of approximately HK$2.802 per Share for the approximately one year period from 1 May 2005 up to and including the Last Trading Day;

(e) a discount of approximately 47.74% to the Adjusted NAV per Share of approximately HK$4.21 as at 31 December 2005 as disclosed in the annual report of the Company for the year ended 31 December 2005; and

(f) a discount of approximately 42.48% to the closing price of the Shares as quoted on the Stock Exchange of HK$3.825 per Share on the Latest Practicable Date.

The Share Offer Price represents a significant discount to the closing prices and average closing prices for the different periods described above.

(ii) Trading volume of the Shares

The following table sets out the total monthly trading volume of the Shares, the percentage of the total monthly trading volume of the Shares to the total issued Shares and the Shares held by the public respectively during the period from May 2005 to April 2006:

	Total monthly trading volume of the Shares *(Note 1)*	**% of the total monthly trading volume of the Shares to the total issued Shares** *(Note 2)*	**% of total monthly trading volume of the Shares to the public float** *(Note 3)*
2005			
May	112,394,015	3.53%	6.43%
June	176,023,156	5.52%	10.07%
July	72,225,554	2.27%	4.13%
August	213,088,694	6.69%	12.19%
September	73,632,448	2.31%	4.21%
October	57,117,825	1.79%	3.26%
November	96,362,898	3.02%	6.88%
December	62,876,249	1.97%	4.60%
2006			
January	62,649,653	1.96%	4.58%
February	113,260,737	3.55%	8.28%
March	79,144,792	2.48%	5.78%
April	67,021,291	2.10%	5.02%

Notes:

1. Source: Bloomberg.

2. Based on the number of issued Shares at the end of each month (May 2005 to August 2005: 3,185,993,003 Shares; September 2005: 3,186,235,003 Shares and October 2005 to April 2006: 3,188,833,003 Shares).

3. Based on the number of issued Shares held by public Shareholders at the end of each month as determined by reference to the financial reports of the Company and the corporate substantial shareholder notices published on the website of the Stock Exchange (May 2005 to August 2005: 1,748,308,152 Shares; September 2005: 1,748,308,152 Shares; October 2005: 1,751,148,152 Shares; November 2005: 1,400,758,360 Shares; December 2005 to March 2006: 1,368,155,005 Shares and April 2006: 1,336,065,765 Shares).

The monthly trading volume of the Shares was, in general, moderate during the period from May 2005 to April 2006, representing less than 6% of the total issued Shares and less than 11% of the Shares in public hands save for August 2005. We consider that the increase in trading volume in August 2005 might be attributable to the press announcement of the Company dated 4 August 2005 in relation to the increase of PLDT's consolidated net profit for the six months ended 30 June 2005 by approximately 35% as compared to the same period last year.

DISCUSSION AND ANALYSIS

The Salim Family, acting as a Concert Party under the Takeovers Code, has controlled the Company for many years. The Offers have been made following a reorganisation of the Salim Family interests, from which Mr. Anthoni Salim has emerged as the clear controlling Shareholder. The terms, and in particular the price, for this reorganisation were reached between family and concert party members taking into account inter alia the fact that the interests acquired by Mr. Anthoni Salim were minority interests in private companies and therefore illiquid.

The prices paid for the private companies are equivalent on a "see through" basis to a price of HK$2.20 per Share. Under the terms of the Takeovers Code, since control of the Company has been changed from the Salim Family generally (acting as a Concert Party) to Mr. Anthoni Salim in particular, a share offer is required to Independent Shareholders at the price at which control is deemed to have changed (i.e. HK$2.20 per Share). An option offer is also required to Independent Optionholders; the practice in Hong Kong is to make such an option offer at a price equivalent to the Share Offer Price of HK$2.20 less the option exercise price of HK$1.76 per Share, i.e. HK$0.44 per Option.

The Share Offer Price reflects an approximately 30% discount to recent average closing prices for the Shares. However, in light of the circumstances leading to the Offers, and in particular the illiquid nature of interests in the private companies acquired by Mr. Anthoni Salim, it is not particularly surprising, in our opinion, that the Share Offer Price is at less than market price. Mr. Anthoni Salim has stated that the purpose of the Offers is to comply with the requirements of the Takeovers Codes, not to acquire more Shares or Options.

The Group has recently published its 2005 annual report, showing the Group made a consolidated net profit attributable to the Shareholders of approximately HK$803.4 million. The Group is rather unusual in that as at 31 December 2005, approximately 15% of audited total assets of the Group were attributable to PLDT, an associated telecommunication company listed in the Philippines and 70% to Indofood, a subsidiary food company listed in Indonesia. If market values are used, the interest in PLDT is substantially the largest asset of the Group. Taking these interests at market price and making other chiefly market related adjustments, the adjusted value of the Group at 31 December 2005 was approximately US$1.7 billion (equivalent to approximately HK$4.21 per Share). If a similar analysis is carried out at 28 April 2006, the result is approximately HK$5.12 per Share. The 2005 accounts in our view show a generally satisfactory position.

The Share Offer is in our view unattractive. The Share Offer Price represents:

- a discount of approximately 31.20% to the average closing price of HK$3.20 per the Share for the ten trading days up to and including the Last Trading Day;
- a discount of approximately 42.48% to the closing price of HK$3.825 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 47.74% to the Adjusted NAV per Share of approximately HK$4.21 as at 31 December 2005; and
- a price earnings ratio of approximately 8.7 times of 2005 basic earnings per Share.

The majority of the Group's profit for the year ended 31 December 2005 was derived from PLDT. Owing to the unusual nature of business of the Group, we have not identified any companies listed in Hong Kong which we consider can be usefully compared to the Company in the context of evaluating the price earnings ratio and the other terms of the Share Offer. The Company is a member of the Hang Seng Hong Kong Small-cap Index. The price earnings ratio of this index as a whole is approximately 10.61 times as at the Latest Practicable Date. This is somewhat higher than the aforesaid price earnings ratio of approximately 8.7 times represented by the Share Offer Price, i.e. the Share Offer does not value the earnings of the Group at the level of the Hang Seng Hong Kong Small-cap Index. However, as stated above, owing to the dissimilarity of the Company to the other members of this index (except for approximate market capitalisation), we have not placed great weight on this factor.

As the Option Offer Price of HK$0.44 per Option is calculated by reference to the Share Offer Price, we also regard the Option Offer as unattractive, for the same reasons.

The Offeror has stated both the Share Offer Price and the Option Offer Price will not be increased. The Directors have stated they do not intend to accept the Offers. If Independent Shareholders do accept the Share Offer, they will not be able to deal in the market. The Share Offer will in any case not become unconditional unless the Offeror and its Concert Parties control over 50% of the Shares, which we presently consider unlikely. We also consider it highly unlikely that the Share Offer will result in any pressure on the minimum required level of the Shares in public hands (25%) or that the compulsory acquisition provisions mentioned above will come into play.

Although the Share Offer does represent an assured opportunity to realise the Shares at a fixed price, as stated above we consider this price unattractive. Independent Shareholders who may wish to realise their investment will almost certainly be able to do so in the market at a price substantially higher than the Share Offer Price of HK$2.20 per Share. Independent Shareholders wishing to sell should therefore monitor the Share price in the market and volumes traded carefully. On the Latest Practicable Date, the Share price closed at HK$3.825 per Share. Similarly, the Independent Optionholders wishing to realise their investment may consider exercising their Options in accordance with the share option scheme, and selling in the market the Shares issued to them.

OPINION AND RECOMMENDATION

Based on the principal factors and reasons discussed above, we consider the terms of both the Share Offer and the Option Offer **not** fair and reasonable so far as the Independent Shareholders and the Independent Optionholders are respectively concerned. As stated above, we consider the Offers are being made for compliance purposes only, not to acquire further Shares or Options. Accordingly, we recommend the Independent Shareholders **not** to accept the Share Offer. Similarly, we recommend the Independent Optionholders **not** to accept the Option Offer. No action in this connection is needed by the Independent Shareholders or the Independent Optionholders.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M. N. Sabine
Chairman

Note: For use in this letter and for illustration purposes only, conversion of US$ into HK$, US$ into Rupiah and US$ into Peso are based on the approximate exchange rates of US$1.00 to HK$7.80, US$1.00 to Rupiah 8,785 and US$1.00 to Pesos 51.775 respectively. No representation or assurance is made or given that any amount in HK$, Peso, Rupiah or US$ could be converted at such rates or any other rates.

1. FURTHER PROCEDURES FOR ACCEPTANCE

A. The Share Offer

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or some names other than your own, and you wish to accept the Share Offer in respect of your Shares, you must either:

(i) lodge your Share certificate(s) and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** form of acceptance and transfer of the Shares duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the **WHITE** form of acceptance and transfer of the Shares duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your broker/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker/custodian bank for the timing on the processing of your instruction, and submit your instruction to your broker/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant account with CCASS, authorise your instruction via the CCASS phone system or CCASS internet system on or before the deadline set out by HKSCC Nominees Limited.

(b) If the certificate(s) and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the **WHITE** form of acceptance and transfer of the Shares should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or any other document(s) of title (and or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the **WHITE** form of acceptance and transfer of the Shares and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to the Offeror and/or CIMB-GK and/or any of their respective agent(s) to collect from the Company for the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the **WHITE** form of acceptance and transfer of the Shares.

(d) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** form of acceptance and transfer of the Shares is received by the Registrar by not later than 4:00 p.m. on Friday, 2 June 2006, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, and is:

   (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under this paragraph (d)); or

(iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** form of acceptance and transfer of the Shares is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(e) No acknowledgement of receipt of any **WHITE** form(s) of acceptance and transfer of the Shares, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(f) The address of the Registrar is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

B. The Option Offer

(a) If you accept the Option Offer, you should complete the **YELLOW** form of acceptance and cancellation of the outstanding Options obtainable from the head office and principal place of business of the Company at 24/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer.

(b) The completed **YELLOW** form of acceptance and cancellation of the outstanding Options should be forwarded, together with the relevant Options certificate(s) (if any) stating the number of outstanding Options for not less than the number of outstanding Options in respect of which you intend to accept the Option Offer, by post or by hand to the company secretary of the Company at 24/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, marked "First Pacific Offer" on the envelope, as soon as possible and in any event so as to reach the company secretary of the Company at the aforesaid address by no later than 4:00 p.m. on Friday, 2 June 2006, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

2. SETTLEMENT

Settlement of the consideration to which any accepting Shareholder and/or Optionholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Shareholder and/or Optionholder.

Remittances in respect of the consideration payable for the Offer Shares and Options tendered under the Offers will be posted to the relevant accepting Shareholders and Optionholders by ordinary post at their own risk as soon as possible but in any event within 10 days of the date of receipt by the Registrar (in respect of the Share Offer) and the company secretary of the Company (in respect of the Option Offer) of all the relevant documents required to render the relevant acceptances under the Offers complete and valid or of date the Offers become, or declared, unconditional, whichever is later.

If the Offers does not become unconditional and lapse, the Share certificate(s) and/or Option certificate(s) (if any) and/or any other document(s) of title tendered under the Offers will be returned to the Shareholders and/or Optionholders who accept the Offers as soon as possible but in any event within 10 days thereof in accordance with the Takeovers Code.

3. ACCEPTANCE PERIOD

Unless the Offers have previously been revised or extended with the consent of the Executive or have previously become or declared unconditional, all Forms of Acceptance must be received by 4:00 p.m. on Friday, 2 June 2006, being the First Closing Date. Pursuant to Rule 15.3 of the Takeovers Code, where the Offers become or are declared unconditional, they should remain open for acceptance for not less than 14 days thereafter. An announcement will be made by the Offeror as and when the Offers become, or are declared, unconditional. **The Offeror has no intention to extend the period of the Offers.**

In order to be valid, acceptances must be received by the Registrar (in respect of the Share Offer) and the Company (in respect of the Option Offer) in accordance with the instructions printed on the relevant Form(s) of Acceptance by 4:00 p.m. on the First Closing Date.

4. ANNOUNCEMENTS

(a) By 6:00 p.m. (or such later time and/or date as the Executive agrees) on 2 June 2006, being the First Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offers. The Offeror must publish an announcement through the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating whether the Offers have been revised, extended or have expired. Such announcement must be republished in accordance with the requirements set out in item (b) below on the next Business Day.

The announcement must state the following:

(i) the total number of Shares for which acceptances of the Share Offer have been received;

(ii) the total number of Options for which acceptances of the Option Offer have been received;

(iii) the total number of Shares and Options held, controlled or directed by the Offeror or its Concert Parties before the offer period; and

(iv) the total number of Shares and Options acquired or agreed to be acquired during the offer period by the Offeror or its Concert Parties.

The announcement must also specify the percentages of the issued share capital of the Company and voting rights of the Company represented by these numbers of Shares and Options.

(b) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offers, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published as a paid announcement in at least one leading English language newspaper and one leading Chinese newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

5. RIGHT OF WITHDRAWAL

(a) Acceptance to the Offers tendered by the Shareholders and the Optionholders, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below or in compliance with Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his acceptance after 21 days from the First Closing Date, if the Offers have not by then become unconditional as to acceptances.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" in this appendix, the Executive may require that the Shareholders and the Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

6. GENERAL

(a) All communications, notices, Forms of Acceptance, certificates of Shares or Options (if any), transfer receipts, any other documents of title or indemnity and remittances to be delivered by or sent to or from the Shareholders and the Optionholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Company, the Offeror, CIMB-GK nor the Registrar or any of this respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result.

(b) The provisions set out in the accompanying Forms of Acceptance form part of the terms of the Offers.

(c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.

(d) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(e) References of the Offers in this Composite Document and the Forms of Acceptance shall include any revision or extension thereof.

(f) Due execution of the Forms of Acceptance will constitute an authority to any Director or such person or persons as the Company may direct to complete and execute any document on behalf of the person accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person has accepted the Offers.

(g) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares and the Options acquired under the Offers are sold by any such person or persons free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights accruing or attaching thereto including without limitation, in the case of Shares, the rights to receive all future dividends or other distributions declared, paid or made on the Shares on or after the date of the Joint Announcement. By accepting the Option Offer, the Optionholders will renounce and surrender to the Company all of their existing rights in respect of the Options, following which such Options will be cancelled and extinguished.

(h) Seller's ad valorem duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of relevant acceptance or if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Cap 117, Laws of Hong Kong) will be deducted from the amount payable to the Accepting Shareholders. The Offeror will also pay stamp duty payable by it as purchaser of the Shares pursuant to the Share Offer.

(i) The Offeror has not decided whether or not to apply any right which may be made available to it under the Companies Act 1981 of Bermuda to acquire compulsorily any Shares outstanding after the closing of the Offers.

(j) Independent Shareholders or Independent Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should fully acquaint themselves with and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with their acceptance of the Offers, including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities or legal requirements and the payment of any issue, transfer, other applicable taxes or other governmental payment due in respect of such jurisdiction.

(k) Acceptance of the Offers by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

(l) Subject to the Takeovers Code, the Offeror and CIMB-GK reserve the right to notify any matter (including the making of the Offers) to all or any Independent Shareholders or Independent Optionholders with registered address(es) outside Hong Kong or whom the Offeror or CIMB-GK know to be nominees, trustees or custodians for such persons by announcement or paid advertisement in any daily newspaper published and circulated in Hong Kong in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders or Independent Optionholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.

(m) In making their decision, Independent Shareholders and Independent Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendations contained herein together with the relevant Forms of Acceptance shall not be construed as any legal or business advice on part of the Company, Offeror or CIMB-GK. Independent Shareholders or Independent Optionholders could consult with their own lawyers or financial advisers for legal or financial advice.

(n) Under the Takeovers Code, if the Offers are extended or revised, the announcement of such extension or revision will state the next closing date and the Offers will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Independent Shareholders and the Independent Optionholders and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Share Offer and/or the Option Offer, all Independent Shareholders and/or Independent Optionholders, whether or not they have already accepted the Share Offer or the Option Offer (as the case may be), will be entitled to the revised terms. The benefit of any revision of the Offers will be available to any Shareholder and/or any Optionholder who has/have previously accepted the Share Offer and/or the Option Offer (as the case may be). The execution by or on behalf of any Shareholder who has previously accepted the Share Offer or any Optionholder who has previously accepted the Option Offer (as the case may be) of any **WHITE** Form of Acceptance, or any **YELLOW** Form of Acceptance (as the case may be) shall be deemed to constitute acceptance of the revised Share Offer or Option Offer (as the case may be) unless such holder becomes entitled to withdraw his or her acceptance and duly does so. It is to be noted however that the Offeror has no intention to extend the offer period beyond the First Closing Date if the Offers have not become unconditional by that date or to revise the Share Offer Price or the Option Offer Price.

(o) The English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text for the purpose of interpretation.

1. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 DECEMBER 2005

Set out below is a summary of the audited consolidated results of the Company for the three years ended 31 December 2005 based on the relevant published annual reports of the Company. The auditors' reports issued by Ernst & Young, Certified Public Accountants, as set out in the annual reports of the Company for each of the three years ended 31 December 2005 were unqualified. There was no extraordinary or exceptional item affecting the consolidated financial statements of the Company for the three years ended 31 December 2005.

	Year ended 31 December		
	2005	**2004**	**2003**
	HK$ 'million	*HK$ 'million*	*HK$ 'million*
	(Audited)	(Audited)	(Audited)
Turnover	15,491.6	16,025.9	16,862.0
Profit before taxation	1,290.1	1,414.2	1,327.6
Taxation	(207.5)	(248.8)	(274.6)
Profit for the year from continuing operations	1,082.6	1,165.4	1,053.0
Profit for the year from a discontinued operation	–	146.6	–
Profit before minority interest	1,082.6	1,312.0	1,053.0
Minority interest	(279.2)	(345.6)	(475.0)
Profit attributable to equity holders of the parent	803.4	966.4	578.0
Ordinary share dividends			
Interim – U.S. 0.13 cent (HK1.00 cent) (2004 and 2003: Nil) per share	32.0	–	–
Final – U.S. 0.26 cent (HK2.00 cents) (2004 and 2003: Nil) per share	63.9	–	–
	95.9	–	–
Earnings per share*			
– Basic	HK25.19 cents	HK30.34 cents	HK18.17 cents
– Diluted	HK24.73 cents	N/A	N/A

N/A: Not applicable

* *The calculation of basic earnings per share amount for the year ended 31 December 2005 is based on the profit for the year attributable to equity holders of the parent of HK$803.4 million, and the weighted average number of 3,186.7 million ordinary shares in issue during the year.*

The calculation of diluted earnings per share amount for the year ended 31 December 2005 is based on: (i) a profit equal to the profit for the year attributable to equity holders of the parent of HK$803.4 million adjusted by the HK$9.4 million reduction in share of profits less losses of associated companies assuming (a) the exercise of the Company's option of increasing its interest in Level Up! International Holdings Pte Ltd and (b) the conversion of dilutive convertible preference shares and share options issued by Philippine Long Distance Telephone Company, and (ii) a share base equal to the aggregate of the weighted average number of ordinary shares of 3,186.7 million ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 28.4 million ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the year.

Assets and liabilities of the Group

	As at 31 December		
	2005	**2004**	**2003**
	HK$ 'million	*HK$ 'million*	*HK$ 'million*
	(Audited)	(Audited)	(Audited)
Total assets	18,307.4	16,915.9	17,265.3
Less:			
Total liabilities	12,795.1	12,305.3	13,928.4
Minority interest	2,526.5	2,836.9	2,938.3
Net assets	2,985.8	1,773.7	398.6

Note: The financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which also include the Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Generally Accepted Accounting Principles ("HK GAAP"). Significant changes to HK GAAP had been implemented during 2005 as a consequence of a number of new and revised HKASs and HKFRSs issued by the HKICPA, which became effective for accounting periods commencing on, or after 1 January 2005. The key changes have been summarized in Note 2(B) to the consolidated financial statements for the two years ended 31 December 2005 as set out on pages 70 to 74 of this Appendix.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 DECEMBER 2005

Set out below are the audited consolidated financial statements of the Company for the two years ended 31 December 2005 together with the notes thereon extracted from the annual report of the Company for the year ended 31 December 2005:

Consolidated Profit and Loss Statement

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

	Notes	For the year ended 31 December 2005	2004 (Restated)[i]
		U.S. cents	*U.S. cents*
Earnings per Share Attributable to Equity Holders of the Parent	*11*		
Basic			
– For profit from continuing operations		3.23	3.30
– For profit from a discontinued operation		–	0.59
– For profit for the year		3.23	3.89
Diluted			
– For profit from continuing operations		3.17	N/A
– For profit from a discontinued operation		–	N/A
– For profit for the year		3.17	N/A

N/A: Not applicable

(i) Refer to Note 2(B).

Consolidated Balance Sheet

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

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

(i) Refer to Note 2(B).

Company Balance Sheet

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

(i) Refer to Note 2(B).

Consolidated Statement of Changes in Equity

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

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

(i) Refer to Note 2(B).

Company Statement of Changes in Equity

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

(i) Refer to Note 2(B).

Consolidated Cash Flow Statement

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

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

(i) Refer to Note 2(B).

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

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

The Group comprises the Company and its subsidiary companies.

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

The Company's ordinary shares are listed on the Stock Exchange. Its shares are also available in the United States through ADRs.

2. BASIS OF PREPARATION, SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND CHANGES

(A) Basis of Preparation

The Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) (which also include Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), Hong Kong Generally Accepted Accounting Principles (GAAP) and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Financial Statements have been prepared under the historical cost convention except for plantations, available-for-sale assets and derivative financial instruments which, as disclosed in the accounting policies below, are stated at fair value. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell as further explained in Note 2 (E)(u). These Financial Statements are presented in United States (U.S.) dollars and rounded to the nearest million (US$ million) with one decimal place except when otherwise indicated.

(B) Impact of New and Revised HKFRSs

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

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

HKAS 1	"Presentation of Financial Statements"
HKAS 2	"Inventories"
HKAS 7	"Cash Flow Statements"
HKAS 8	"Accounting Policies, Changes in Accounting Estimates and Errors"
HKAS 10	"Events after the Balance Sheet Date"
HKAS 11	"Construction Contracts"
HKAS 12	"Income Taxes"
HKAS 14	"Segment Reporting"
HKAS 16	"Property, Plant and Equipment"
HKAS 17	"Leases"
HKAS 18	"Revenue"
HKAS 19	"Employee Benefits"
HKAS 20	"Accounting for Government Grants and Disclosure of Government Assistance"
HKAS 21	"The Effects of Changes in Foreign Exchange Rates"
HKAS 23	"Borrowing Costs"
HKAS 24	"Related Party Disclosures"
HKAS 27	"Consolidated and Separate Financial Statements"
HKAS 28	"Investments in Associates"
HKAS 29	"Financial Reporting in Hyperinflationary Economies"
HKAS 31	"Interests in Joint Ventures"
HKAS 32	"Financial Instruments: Disclosure and Presentation"
HKAS 33	"Earnings per Share"
HKAS 36	"Impairment of Assets"
HKAS 37	"Provisions, Contingent Liabilities and Contingent Assets"
HKAS 38	"Intangible Assets"
HKAS 39	"Financial Instruments: Recognition and Measurement"
HKAS 39 Amendment	"Transition and Initial Recognition of Financial Assets and Financial Liabilities"
HKAS 40	"Investment Property"
HKAS 41	"Agriculture"
HKFRS 2	"Share-based Payment"
HKFRS 3	"Business Combinations"
HKFRS 5	"Non-current Assets Held for Sale and Discontinued Operations"

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

- HKAS 1 "Presentation of Financial Statements" provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying assets and liabilities as current or non-current; prohibits the presentation of income from operating activities and extraordinary items as separate line items in the consolidated profit and loss statement; requires the presentation of share of results of associated companies on an after-tax basis in the consolidated profit and loss statement and specifies the disclosures about the key sources of estimates, uncertainties and the judgments management has made in the process of applying the entity's accounting policies. The standard also affects the presentation of minority interest on the face of the Group's consolidated profit and loss statement, balance sheet and statement of changes in equity and other disclosures. The adoption of HKAS 1 has resulted in changes in the presentation of the Group's consolidated profit and loss statement, balance sheet, statement of changes in equity and cash flow statement, but has had no effect on both the profit attributable to equity holders of the parent for the year ended 31 December 2004 and equity attributable to equity holders of the parent at 31 December 2004.

- HKAS 16 "Property, Plant and Equipment" provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. The standard also provides that the cost of an item of property, plant and equipment should include the costs of its dismantlement, removal or restoration – the obligation for which the Group incurs as a consequence of installing the item, or of using the item during a particular period for purposes other than to produce inventories during that period. The adoption of HKAS 16 has effectively reduced the profit attributable to equity holders of the parent for the year ended 31 December 2004 by US$0.6 million and reduced the equity attributable to equity holders of the parent at 31 December 2004 by US$2.1 million.

- HKAS 17 "Leases" prescribes the classification of interest in leasehold land as an operating lease if the title of the land is not passed to the Group by the end of the lease term. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently recognized as expenses on the straight-line basis over the lease term. The adoption of HKAS 17 has resulted in a reclassification of leasehold land from Property and equipment and Other non-current assets of US$23.3 million and US$17.7 million, respectively, to Prepaid land premiums in the Group's consolidated balance sheet at 31 December 2004. However, the adoption has had no effect on both the profit attributable to equity holders of the parent for the year ended 31 December 2004 and equity attributable to equity holders of the parent at 31 December 2004.

- HKAS 32 "Financial Instruments: Disclosure and Presentation" covers the disclosure and presentation of all financial instruments. This standard requires more comprehensive disclosures about a company's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used, types of risk associated with both recognized and unrecognized financial instruments (market risk, price risk, credit risk, liquidity risk, and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the company's financial risk management policies and objectives. This standard also requires financial instruments to be classified as liabilities or equity in accordance with their substance and not their legal form. HKAS 32 requires retrospective application. The adoption of HKAS 32 has effectively reduced the profit attributable to equity holders of the parent for the year ended 31 December 2004 by US$5.6 million and reducing the equity attributable to equity holders of the parent at 31 December 2004 by US$65.1 million.

- HKAS 33 "Earnings per Share" prescribes principles for the determination and presentation of earnings per share. It requires separate disclosure of basic and diluted earnings per share from continuing operations on the face of the consolidated profit and loss statement. The adoption of HKAS 33 has resulted in changes in the presentation of the Group's earnings per share on the face of the consolidated profit and loss statement.

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

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

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

- HKFRS 2 "Share-based Payment" requires an entity to recognize expenses in a share-based payment transaction when it obtains the goods or as the services are rendered. The entity shall recognize a corresponding increase in equity if the goods or services were received in an equity-settled transaction, or shall recognize liability if the goods or services were acquired in a cash-settled transaction. Pursuant to the transitional provisions of HKFRS 2, expenses relating to share options granted after 7 November 2002 and not yet fully vested on 1 January 2005 should be accounted for on a retrospective basis. The adoption of HKFRS 2 has effectively reduced the profit attributable to equity holders of the parent for the year ended 31 December 2004 by US$4.4 million, but has no effect on the equity attributable to equity holders of the parent at 31 December 2004.

- HKFRS 3 "Business Combinations" requires all business combinations within its scope to be accounted for by applying the purchase method. In addition, this standard requires the acquirer to initially measure separately the identifiable assets, liabilities and contingent liabilities at their fair values, at acquisition date, irrespective of the extent of any minority interest.

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

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

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

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

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

(i) Adjustments/presentation taken effect retrospectively.

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

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

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

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

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

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

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

N/A: Not applicable

(D) Impact of Issued But Not Yet Effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to these Financial Statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

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

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

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

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

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

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

(E) Summary of Principal Accounting Policies

(a) Basis of consolidation

The consolidated Financial Statements include the financial statements of the Company and its subsidiary companies for the year ended 31 December 2005. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

A subsidiary company is an entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition, being the date on which the Group obtains control, or up to the effective date of disposal, as appropriate. The gain or loss on the disposal of a subsidiary company represents the difference between the net proceeds from sale and the Group's share of its net assets, including the attributable carrying amount of goodwill.

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

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

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

(b) Cash and cash equivalents

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

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally less than three months when acquired, less bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

(c) Inventories

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

(d) Property and equipment

Freehold land is stated at cost and is not depreciated. Other property and equipment is stated at cost less accumulated impairment losses and accumulated depreciation, calculated on the straight-line basis at annual rates estimated to write off their book values to residual values over their expected useful lives. Details of depreciation rates are given in Note 12(A).

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

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

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

(e) Plantations

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

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

(f) Associated companies

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

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

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

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

(g) Asset retirement obligations

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

(h) Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax assets and unused tax losses (with limited exceptions). The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

(i) Provisions and contingent liabilities

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

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

(j) Impairment of assets

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

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

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

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

(k) Accounting for acquisition and disposal

(I) Results

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

(II) Fair value adjustments

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

(III) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Upon adoption of HKFRS 3, goodwill is no longer amortized. The carrying amount of accumulated amortization of goodwill at 1 January 2005 is eliminated with a corresponding decrease in the cost of goodwill amount on that date. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired and its amount will be written down for impairment when it is considered necessary. A previously recognized impairment loss for goodwill is not reversed.

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

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

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

(l) Foreign currencies

(I) Functional and presentational currency

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

(II) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss statement.

(III) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss statement are translated at average exchange rates; and

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

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

(m) Turnover and revenue recognition

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

(n) Segmental information

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

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

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

(o) Leases

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

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

Lease obligations having provisions for bargain purchase options, ownership transfer at the end of the lease term, or minimum lease payments, which approximate the fair market value of the property are capitalized. The related obligations are recognized as liabilities. Finance lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. A finance lease gives rise to a depreciation expense for the asset as well as a borrowing cost for each period. Finance charges are charged directly to current operations. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

(p) Employee benefits

(I) Pension obligations

The Group operates defined contribution and defined benefit retirement schemes.

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

Contributions to defined benefit schemes are determined based on the value of the retirement scheme assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations, and are determined on the basis of actuarial valuations using the projected unit credit method. The costs of defined benefit schemes are charged against profit on a systematic basis so as to be spread over the expected remaining service lives of the employees affected. Actuarial gains and losses are recognized immediately in the profit and loss statement as and when they occur.

(II) Long service payments

Certain of the Group's employees are eligible for long service payments in the event of the termination of their employment. A provision is recognized in respect of the probable future long service payments expected to be made. The provision is the best estimate of the probable future payments that have been earned by the employees from their service to the Group at the balance sheet date.

(III) Equity-settled transactions

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(IV) Cash-settled transactions

The Group's associated companies grants share appreciation rights (SARs) to eligible key executives and advisors, and recognize the services received and the liability to pay for those services, as the eligible key executives and advisors render services during the vesting period. The liability is measured, initially and at each reporting date until settled, at the fair value of the SARs, by applying an option valuation model, taking into account the terms and conditions on which the SARs were granted, and the extent to which the eligible key executives and advisors have rendered service to date. Until settled, any changes in fair value at each reporting date will be recognized in the profit and loss statement.

(V) Paid leave carried forward

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

(q) Borrowing costs

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

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

(r) Financial assets/investments and financial liabilities

Applicable to the year ended 31 December 2004:

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

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

Applicable to the year ended 31 December 2005:

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument and derecognize a financial asset when the Group no longer control the contractual rights to the cash flows that comprise the financial instrument which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument have already expired or are passed through to an independent third party. A financial liability (or a part of a financial liability) is derecognized when the obligation is extinguished. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using settlement date accounting.

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. Financial assets or financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit and loss. Fair value is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

After initial recognition, the following financial assets and liabilities are measured at amortized cost using the effective interest rate method: (i) loans and receivables; (ii) held-to-maturity investments; and (iii) financial liabilities other than liabilities measured at fair values through profit and loss, whereas available-for-sale assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss statement.

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

Amortizations of discounts and premiums are taken directly to the consolidated profit or loss statement. Changes in the fair value of financial assets and liabilities measured at fair value of (i) all derivatives (except for those eligible for hedge accounting); (ii) other items intended to be actively traded; and (iii) any item designated as held "at fair value through profit and loss" at origination, are taken directly to the profit or loss statement. Changes in the fair value of available-for-sale securities are recognized in equity, except for the foreign exchange fluctuations on available-for-sale debt securities and the interest component which is taken directly to net profit or loss for the period based on the asset's effective yield.

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

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

(s) Derivative instruments

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

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

For purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognized asset or liability and firm commitment; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

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

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

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

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

(t) Related parties

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

(I) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Company that gives it significant influence over the Group; or (iii) has joint control over the Group;

(II) the party is an associate;

(III) the party is a jointly-controlled entity;

(IV) the party is a member of the key management personnel of the Group;

(V) the party is a close member of the family of any individual referred to in (I) or (IV);

(VI) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (IV) or (V); or

(VII) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Group.

(u) Non-current assets held for sale

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

(A) Judgments

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

Classification of financial assets and financial liabilities

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

(B) Estimation Uncertainty

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

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

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

(b) Assets impairment

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

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets and contingent liabilities. The Group's business acquisitions have resulted in goodwill, which in the past affected its results of operations for the amount of periodic amortization expense. However, the Group no longer amortizes goodwill under Hong Kong GAAP effective 1 January 2005. Instead, goodwill is subject to a periodic impairment test.

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

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

(c) Deferred tax assets

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

(d) Financial assets and liabilities

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

(e) Estimating allowances for doubtful accounts

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

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

(f) Estimating allowances for inventories

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

(g) Pension and other retirement benefits

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

(h) Income taxes

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

(i) Measurement of fair value of plantations

Hong Kong GAAP requires that the Group carries its plantations at fair value less estimated point-of-sale costs, which requires extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including average life of plantations, yield per hectare, plantation area and discount rates. The amount of changes in fair value would differ if the Group utilized different assumptions. Any changes in fair value of these plantations would affect directly the Group's profit and loss and equity.

(j) Derivative liabilities

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

(k) Equity-settled share option expense

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

4. TURNOVER AND SEGMENTAL INFORMATION

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

Segmental Information

Segmental information, relating to the Group's business and geographic segments, follows. Analysis by business segment is the Group's primary segment reporting format as this is more relevant to the Group when making operational and financial decisions. Details of the Group's principal investments are provided on pages 132 to 133. Particulars in respect of a discontinued operation are set out in Note 8.

By Principal Business Activity – 2005

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

By Principal Geographical Market – 2005

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

By Principal Business Activity – 2004

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

By Principal Geographical Market – 2004

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

5. NET BORROWING COSTS

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

6. PROFIT BEFORE TAXATION

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

7. TAXATION

No Hong Kong profits tax (2004: Nil) has been provided as the Group had no estimated assessable profits (2004: Nil) in Hong Kong for the year. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

	2005 US$ millions	2004 (Restated) US$ millions
Subsidiary Companies – Overseas		
Current taxation *(Note 27)*	28.9	30.6
Deferred taxation *(Note 20)*	(2.3)	1.3
Total	26.6	31.9

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

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

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

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

8. PROFIT FOR THE YEAR FROM A DISCONTINUED OPERATION

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

9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

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

Analysis of Foreign Exchange and Derivative Losses

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

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

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

10. ORDINARY SHARE DIVIDENDS

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

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

11. EARNINGS PER SHARE

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

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

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

12. PROPERTY AND EQUIPMENT

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

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

(A) Principal annual rates of depreciation:

Freehold land	Nil
Freehold buildings	2.5% to 20.0%
Leasehold buildings	Lesser of period of lease, or 2.5% to 20.0%
Machinery, equipment and vessels	2.5% to 50.0%

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

(C) Property and equipment with a net book amount of US$29.4 million (2004: US$23.4 million) were pledged as security for certain of the Group's banking facilities (Note 26(D)).

13. PLANTATIONS

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

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

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

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

(A) No new planting/re-planting activities are assumed.

(B) The palm trees have an average life of 23 years, with the first three years as immature and the following 20 years as mature or productive under a well established planting system.

(C) The yield per hectare of palm trees is based on guidelines from the Centre for Palm Tree Research in Indonesia which varies with the average age of palm trees.

(D) A discount rate of 20.5 per cent (2004: 21.7 per cent), which represents the asset specific rate for Indofood's plantation operation, was applied in the discounted cash flow calculation.

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

14. SUBSIDIARY COMPANIES

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

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

(A) Amounts due from subsidiary companies are unsecured, interest-bearing at a range of zero per cent to 7.0 per cent per annum (2004: zero per cent to 5.0 per cent per annum) and not repayable within one year. The carrying value of the Company's amounts due from subsidiary companies approximates to their fair values.

(B) Amounts due to subsidiary companies are unsecured, interest-bearing at a range of zero per cent to 8.4 per cent per annum (2004: zero per cent to 8.4 per cent per annum) and not repayable within one year.

(C) Details of principal subsidiary companies which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on pages 132 to 133.

(D) Metro Pacific group contributes to the Group's property and transportation business segment (refer to Note 4). Since the fourth quarter of 2001, it has been unable to meet its debt repayment obligations. Metro Pacific's ability to continue as a going concern is dependent on a number of factors, which includes its ability to settle or restructure its debt obligations, the availability of refinancing of debts and the success of its plan to revitalize its business and generate sufficient cash flows to ensure sustained and profitable operations. Metro Pacific had successfully reduced its parent company's debt obligations to Pesos 732 million (US$13.8 million) at 31 December 2005 from Pesos 11.7 billion (US$220.4 million) at 31 December 2001 when the debt reduction program was commenced. Out of the Pesos 732 million (US$13.8 million) outstanding debts at 31 December 2005, Pesos 525 million (US$9.9 million) are presently subject to final documentation and Metro Pacific expects that this Pesos 525 million (US$9.9 million) amount will be settled before the close of 2006.

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

15. ASSOCIATED COMPANIES

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

(A) At 31 December 2005, both the listed and unlisted investments were located outside Hong Kong.

(B) At 31 December 2005, the market valuation of listed investments was US$1,495.4 million (2004: US$1,002.7 million) and net dividends received and receivable were US$38.9 million (2004: Nil).

(C) Loans to associated companies are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the loans to associated companies approximates to their fair values.

(D) Details of the Group's principal associated companies which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on pages 132 to 133.

(E) Additional financial information in respect of the Group's principal associated company, PLDT, as prepared under HK GAAP, is set out below.

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

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

(G) The Group has discontinued the recognition of its share of losses of Prime Media Holdings, Inc. because the share of losses of this associated company fully eroded the Group's investment. The Group's unrecognized share of losses of this associated company for the current year and cumulatively was nil (2004: US$0.1 million) and US$7.9 million (2004: US$7.9 million), respectively.

16. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

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

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

An ageing profile of trade receivables is analyzed as follows:

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

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

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

17. GOODWILL

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

(A) In 2004, goodwill not previously eliminated against the consolidated reserves was amortized on the straight-line basis over its estimated useful life of not more than 20 years.

(B) Goodwill is allocated to the Group's cash-generating units identified according to business and country of operation segment. All of the goodwill amounts at 31 December 2005 and 31 December 2004 relates to Indofood's businesses which contribute to the Group's consumer food products business segment located in Indonesia.

(C) The recoverable amounts of Indofood's businesses have been determined based on a value in use calculation using cash flow projections based on financial projections approved by Indofood's senior management covering a five-year period. The discount rates applied to cash flow projections ranges from 15.3 per cent to 18.3 per cent.

18. PREPAID LAND PREMIUMS

	Consolidated 2005	2004
	US$ millions	*US$ millions* (Restated)
At 1 January		
As previously reported	–	–
Effect of adopting HKAS 17 *(Note 2(B))*	45.5	47.8
As restated	45.5	47.8
Exchange translation	(4.0)	(3.8)
Additions	–	3.7
Recognized during the year	(4.2)	(2.2)
Total prepaid land premiums	37.3	45.5
Current portion included in accounts receivable, other receivables and prepayments	(2.8)	(4.5)
At 31 December	34.5	41.0

	2005	2004
	US$ millions	*US$ millions*
Overseas, Held on:		
Leases of between 10 and 50 years	32.3	44.2
Leases of less than 10 years	5.0	1.3
	37.3	45.5

19. AVAILABLE-FOR-SALE ASSETS/INVESTMENTS

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

(A) The fair values of listed equity investments and debentures are based on quoted market prices. The fair values of unlisted investment in club debentures have been estimated by reference to recent market transaction prices. The Directors believe that the estimated fair values by reference to market prices, which are recorded in the carrying amounts of available-for-sale assets, and the related changes in fair values, which are recorded directly in the Group's equity, are reasonable, and that they are the most appropriate values at the balance sheet date.

(B) Unlisted equity investments with carrying amounts of US$3.2 million (2004: US$9.8 million) was pledged to secure certain of the Group's banking facilities.

20. DEFERRED TAX

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

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

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

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

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

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

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

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

21. OTHER NON-CURRENT ASSETS

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

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

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

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

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

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

22. CASH AND CASH EQUIVALENTS

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

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

23. INVENTORIES

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

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

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

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

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

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

24. NON-CURRENT ASSETS HELD FOR SALE

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

25. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

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

An ageing profile of trade payables is analyzed as follows:

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

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

26. BORROWINGS

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

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

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

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

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

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

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

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

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

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

The fair values are based on published price quotations for listed notes and bonds issued by the Group and projected cash flows discounted using the borrowings rates ranging from 8.0 per cent to 12.5 per cent (2004: 7.2 per cent to 15.7 per cent) for the other fixed interest rate borrowings. The carrying amounts of the Group's variable interest rate borrowings approximate to their fair values due to frequent repricing.

The carrying amounts of short-term borrowings approximate to their fair value.

Details of borrowings are set out below.

(A) Short-term Other Loans

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

(B) Long-term Bank Loans

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

(C) Long-term Other Loans

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

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

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

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

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

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

(I) US$151.7 million five-year Eurobonds (with a face value of US$153.7 million, which represents the original amount issued in June 2002 of US$280.0 million less repurchase of the bonds with a face value of US$126.3 million made during 2005) (2004: US$278.6 million), with a coupon rate of 10.375 per cent, payable semi-annually, and mature in June 2007;

(II) Rupiah 1.2 trillion (US$123.4 million) of Rupiah bonds (which represents the original amount issued in June 2003 of Rupiah 1.5 trillion (US$152.6 million) less repurchase of the bonds with a face value of Rupiah 0.3 trillion (US$30.3 million) during 2005) (2004: US$161.5 million), with a coupon rate of 13.5 per cent, payable quarterly, and mature in June 2008; and

(III) Rupiah 1.0 trillion (US$98.8 million) of Rupiah bonds (which represents the original amount issued in July 2004 of Rupiah 1.0 trillion (US$101.7 million) less repurchase of the bonds with a face value of Rupiah 24 billion (US$2.4 million) during 2005) (2004: US$107.6 million), with a coupon rate of 12.5 per cent, payable quarterly, and mature in July 2009.

(D) Pledge of Assets

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

27. PROVISION FOR TAXATION

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

28. DEFERRED LIABILITIES AND PROVISIONS

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

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

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

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

Others mainly relate to provisions for warranty claims.

29. SHARE CAPITAL

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

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

30. OTHER RESERVES

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

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

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

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

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

31. MINORITY INTEREST

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

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

32. DERIVATIVE LIABILITY

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

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

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(A) Increased Investments in Associated Companies

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

(B) Acquisition of Associated Companies

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

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

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

(D) Acquisition of Subsidiary Companies

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

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

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

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

(E) Acquisition of Convertible Bonds

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

(F) Increased Investments in Subsidiary Companies

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

(G) Restricted Cash

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

(H) Major Non-cash Transaction

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

34. COMMITMENTS AND CONTINGENT LIABILITIES

(A) Capital Expenditure

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

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

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

(B) Leasing Commitments

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

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

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

(C) Contingent Liabilities

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

35. EMPLOYEE INFORMATION

(A) Remuneration

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

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

(B) Retirement Benefits

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

(a) Defined Contribution Schemes

The Group operates six (2004: six) defined contribution schemes covering approximately 20,686 (2004: 23,469) employees. The assets of these schemes are held separately from the Group and are administered by independent trustees. Contributions to the schemes, either by the Group or by the employees, are determined by reference to the employees' salaries and length of service and range from zero per cent to 10 per cent (2004: zero per cent to 10 per cent). Under the terms of the schemes, the Group cannot be requested to make additional payments over and above these levels of contributions. In three (2004: three) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2005, no amounts (2004: Nil) were used for this purpose. At 31 December 2005, the forfeited contributions had been fully utilized.

(b) Defined Benefit Schemes

The Group operates four (2004: two) defined benefit schemes covering approximately 1,315 (2004: 1,184) employees. The assets of three of these schemes are held separately from the Group and are administered by independent trustees. Benefits are determined by reference to employees' final salaries and length of service, and the schemes have undergone independent valuations. These actuarial valuations, performed by PT Jasa Aktuaria Praptasentosa Gunajasa's actuary (a member of the Fellow Society of Actuary of Indonesia and Expert in Life Insurance in Indonesia) and Actuarial Advisers, Inc. and Mr. Orlando J. Manalang, FASP (members of Actuarial Society of the Philippines), were based on the projected unit credit method. The plan assets do not include any financial instruments of the Group or property occupied by, or other assets used by, the Group. At 31 December 2005, the Group's level of funding in respect of its defined benefit schemes was 45.8 per cent (2004: 55.3 per cent).

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

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

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

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

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

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

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

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

(C) Loans to Officers

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

36. DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

(A) Directors' Remuneration

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

Directors' Remuneration – 2005

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

Directors' Remuneration – 2004

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

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

(ii) For meetings attended.

(iii) For consultancy services provided to the Company.

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

(B) Senior Executives' Remuneration

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

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

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

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

(C) Key Management Personnel Compensation

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

(D) Share Options

Particulars of the share options of the Company and its subsidiary company granted to the Directors and senior executives of the Company and its subsidiary company at 31 December 2005 are set out below.

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

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

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

The maximum number of shares on which options may be granted may not exceed 10 per cent of the Company's issued share capital, excluding any shares issued on the exercise of options at any time. The maximum number of shares in respect of which options may be granted under the Scheme to any one participant in any 12-month period is limited to one per cent of the aggregate number of shares of the Company in issue at the time of the proposed grant of options to such participant.

The exercise price in relation to each share option offer shall be determined by the Directors at their absolute discretion, but in any event shall not be less then the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of Stocks Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Company's share on the date of grant. The terms of the Scheme provide that subject to any other restrictions on vesting imposed by the Directors, share options may be exercised under the Scheme at any time from the date of acceptance until the date of expiry. All options presently outstanding under the Scheme are subject to certain restrictions on exercise including a prohibition on exercise at any time during the period commencing one year after the date on which any option is accepted. Options which lapse or are cancelled prior to their expiry date are deleted from the register of options.

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

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

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

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

Details of the Group's accounting policy in respect of share options granted are set out in Note 2(E)(p)(III) to the Financial Statements.

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

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

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

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

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

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

The maximum number of shares on which options may be granted under the New Scheme may not exceed 10 per cent of the issued share capital of Metro Pacific from time to time less the number of options outstanding under the Old Scheme. Upon the adoption of the New Scheme, no further share options will be granted under the Old Scheme. The aggregate number of shares which may be issued upon exercise of the options granted and to be granted to any eligible participant (whether or not already an option holder) in any twelve-month period shall not exceed one per cent of the shares in issue at the relevant time.

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

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

37. RELATED PARTY TRANSACTIONS

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

(A) At 31 December 2005, Mcrae Investment Limited, a wholly-owned subsidiary company of the Company, had an outstanding receivable from Metro Pacific which amounted to Pesos 793 million (US$14.9 million) (31 December 2004: Pesos 793 million or US$14.1 million). The amount is interest-free, secured and repayable within one year.

(B) On 31 December 2004, Metro Pacific Resources, Inc. (MPRI), a company in which the Company has 100 per cent economic interest, entered into a subscription agreement with Metro Pacific to subscribe Pesos 450 million (US$8.0 million) of Series 1-C Preferred Shares which were issued in two tranches in January and June 2005.

(C) In August 2005, MPRI advances Pesos 61 million (US$1.1 million) to Metro Pacific in order to provide Metro Pacific with the cash resources to meet general working capital requirements. The amount is interest-free, unsecured and repayable within one year.

(D) ALBV, a wholly-owned subsidiary company of the Company, had a technical assistance agreement with Smart, a wholly-owned subsidiary company of PLDT, for ALBV to provide Smart with technical support services and assistance in the operations and maintenance of cellular mobile telecommunications services for a period of four years from 23 February 2004, subject to renewal upon mutual agreement between the parties. The agreement provides for quarterly payments of technical service fees equivalent to one per cent (2004: one per cent) of the consolidated net revenue of Smart.

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

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

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

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

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

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

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

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

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

38. FINANCIAL RISK MANAGEMENT

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

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

It is, and has been, throughout the year, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk (including currency risk and price risk), credit risk, liquidity risk and fair value and cash flow interest rate risk. The Company's Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below. The Group's accounting policies in relation to derivatives are set out in Note 2(E)(s) to the Financial Statements.

(A) Market Risk

(a) Currency Risk

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

(b) Price Risk

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

(B) Credit Risk

For consumer food products business, the Group has credit risk arising from the credit given to the customers, but it has policies in place to ensure that wholesales of products are made to creditworthy customers with an appropriate credit history. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group has policies that limit the amount of credit exposure to any particular customer, such as requiring sub-distributors to provide bank guarantee. For the property business, transfers of property titles are effected upon full payment of the purchase price. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

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

The Group has no significant concentrations of credit risk.

(C) Liquidity Risk

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

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

(D) Fair Value and Cash Flow Interest Rate Risk

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

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

39. SUBSEQUENT EVENTS

(A) Further to the Company's announcement dated 18 January 2006, the Group continues to acquire shares in PLDT. During January to March 2006, the Group acquired an aggregate of 1.3 million shares in PLDT, representing approximately 0.7 per cent of the total issued common shares of PLDT for a total consideration of US$44.5 million. As a result, the Group's economic and voting interests in PLDT increased to 24.5 per cent and 31.2 per cent, respectively.

(B) On 31 January 2006, NTT DoCoMo, Inc. (DoCoMo) had agreed to acquire 12,633,486 common shares of PLDT, representing approximately 7 per cent of PLDT's total outstanding common shares, from NTT Communications, Inc. (NTT Com) for a total consideration of Yen 52,103 million (equivalent to approximately US$440 million). NTT Com will retain 12,633,487 common shares of PLDT, thus remaining as a significant shareholder of PLDT with a similar 7 per cent equity holding.

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

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

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

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

40. COMPARATIVE AMOUNTS

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

41. APPROVAL OF THE FINANCIAL STATEMENTS

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

3. SUMMARY OF PRINCIPAL INVESTMENTS AS AT 31 DECEMBER 2005

Philippine Long Distance Telephone Company ("PLDT")

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

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

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

PT Indofood Sukses Makmur Tbk ("Indofood")

Indofood is the premier processed-foods company in Indonesia, which offers total food solutions to its customers. It is based in Jakarta, and is listed on the Jakarta and Surabaya Stock Exchanges. Through its four major business units, Indofood offers a wide range of food products: bogasari (flour and pasta), consumer branded products (noodles, food seasonings, snack foods, and nutrition and special foods), edible oils and fats (plantations, cooking oils, margarine and shortening) and Distribution. Indofood is considered as one of the world's largest instant noodles manufacturer by volume, and the largest flour miller in Indonesia. Indofood's flourmill in Jakarta is one of the largest in the world in terms of production capacity in one location. It also has an extensive distribution network in the country.

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

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

Metro Pacific Corporation ("Metro Pacific")

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

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

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

Level Up! International Holdings Pte Ltd ("Level Up")

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

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

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

4. MATERIAL CHANGE

As disclosed in Note 39(C) to the 2005 audited consolidated financial statements of the Group (full text of which is contained in this appendix) in relation to events subsequent to 31 December 2005 and Metro Pacific's recapitalization and reorganization plan to raise fresh capital, the Group plans to participate up to approximately Pesos 791 million or US$15 million in the proposed rights issue.

Save as disclosed above and save for a potential accounting loss or profit that may be recorded in the financial statements of the Group due to the increase or decrease in the value of the option liability, which has a strong correlation to the change in share price of PLDT, embedded in the face value of US$199 million exchangeable notes which are exchangeable into shares of PLDT, the Directors are not aware of any material changes in the financial or trading position or outlook of the Group since 31 December 2005, the date to which the latest audited consolidated financial statements of the Group were made up.

5. INDEBTEDNESS

As at 31 March 2006, the Group had outstanding borrowings of approximately HK$8,943.6 million. The borrowings comprised secured bank loans of HK$547.8 million, unsecured bank loans of HK$2,224.5 million, secured other loans of HK$905.2 million and unsecured other loans of HK$5,266.1 million.

The secured bank and other loans were secured by the Group's property and equipment, inventories, receivables and available-for-sale assets equating to a net book value of HK$344.2 million and the Group's interests of 51.5 per cent in Indofood and 1.7 per cent in PLDT.

The other loans comprised secured bonds of HK$839.3 million, unsecured bonds of HK$4,520.7 million (as described below), unsecured trust receipt loans of HK$633.5 million and others. The bonds held by the Group as at 31 March 2006 comprise the followings:

(a) US$107.6 million (HK$839.3 million) bonds issued by CAB Holdings Limited ("CAB"), a wholly-owned subsidiary of the Company, with an interest rate of 8.25 per cent, payable semi-annually, mature on 29 July 2006 and are secured by the Group's 51.5 per cent interest in Indofood held by CAB, and, subject to certain limitations and conditions, are guaranteed by the Company;

(b) US$196.8 million (HK$1,535.0 million) five-year zero coupon Exchangeable Notes issued by First Pacific Finance Limited ("FPF"), a wholly-owned subsidiary of the Company, due 18 January 2010. The exchangeable notes are unsecured obligations of FPF and are unconditionally and irrevocably guaranteed by the Company;

(c) US$142.1 million (HK$1,108.4 million) five-year Eurobonds issued by a wholly-owned subsidiary of Indofood, with a coupon rate of 10.375 per cent, payable semi-annually, and mature in June 2007;

(d) Rupiah 1.2 trillion (HK$1,042.8 million) Rupiah bonds issued by Indofood, with a coupon rate of 13.5 per cent, payable quarterly, and mature in June 2008; and

(e) Rupiah 1.0 trillion (HK$834.5 million) Rupiah bonds issued by Indofood, with a coupon rate of 12.5 per cent, payable quarterly, and mature in July 2009.

As at 31 March 2006, the Group did not have any material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the rate of exchange prevailing at the close of business on 31 March 2006.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 March 2006 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

The information in this Composite Document relating to the Group has been supplied by the Directors. All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the terms and conditions of the Offers and the Offeror), and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this Composite Document (other than those relating to the terms and conditions of the Offers and the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document (other than those relating to the terms and conditions of the Offers and the Offeror), the omission of which would make any such statement contained in this Composite Document misleading.

The information in this Composite Document relating to the Offeror, the terms and conditions of the Offers and the Offeror's intentions regarding the Group have been supplied by the Offeror. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this Composite Document (other than those relating to the Group) have been arrived at after due and careful consideration and there are no other material facts not contained in this Composite Document (other than those relating to the Group), the omission of which would make any statement contained in this Composite Document misleading.

2. CORPORATE INFORMATION ON THE COMPANY

The Company was incorporated in Bermuda with limited liability. Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business in Hong Kong is at 24/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

3. SHARE CAPITAL OF THE COMPANY

(a) Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*US$*
5,000,000,000	ordinary shares of US$ 0.01 each	50,000,000.00
Issued and fully paid:		
3,188,833,003	ordinary shares of US$0.01 each	31,888,330.03

As at the Latest Practicable Date, no new Shares have been issued by the Company since 31 December 2005 (being the date to which the latest published audited accounts of the Company were made up). All of the Shares currently in issue rank pari passu in all respects including, in particular, as to dividends, voting rights and capital.

(b) Options

The Company adopted the employee share option scheme on 24 May 2004 to enable the Directors to grant options to eligible participants, including executive Directors, of the Company to subscribe for Share.

Details of the outstanding Options of the Company as at the Latest Practicable Date were as follows:

	Share options outstanding as at the Latest Practicable Date	Share options exercise price *(HK$)*	Market price at date of grant *(HK$)*	Grant date	Fully vested by	Exercisable from	Exercisable until
Executive Directors							
Manuel V. Pangilinan	31,800,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
Edward A. Tortorici	31,800,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
Robert C. Nicholson	24,500,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
Non–executive Directors							
His Excellency Albert F. del Rosario	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
Benny S. Santoso	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
Independent non–executive Directors							
Graham L. Pickles	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
Edward K.Y. Chen *(GBS, CBE, JP)*	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
Senior Executives	32,286,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
Total	131,746,000						

As at the Latest Practicable Date, the Company had 131,746,000 outstanding Options involving 131,746,000 Shares, of which 2,840,000 Options were owned by the Offeror and its Concert Parties. Save for these, the Company does not have any outstanding warrants or options or other securities carrying rights of conversion into or exchange or subscription for Shares.

(c) Listing

The Shares are listed and traded on the Stock Exchange. No part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on, any other stock exchange. The Shares are also available in the United States through American Depositary Receipts.

4. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code, were as follows:

(a) Long positions in shares in the Company

Name	Ordinary shares	Approximate percentage of issued share capital (%)	Ordinary share options
Anthoni Salim	1,418,525,963[(c)] *(see Note 1)*	44.48	–
Manuel V. Pangilinan	6,026,759[(p)]	0.19	31,800,000
Edward A. Tortorici	13,132,129[(p)]	0.41	31,800,000
Robert C. Nicholson	–	–	24,500,000
His Excellency Albert F. del Rosario	–	–	2,840,000
Benny S. Santoso	–	–	2,840,000
Graham L. Pickles	–	–	2,840,000
Edward K. Y. Chen *GBS, CBE, JP*	–	–	2,840,000

(c) = Corporate interest, (p) = Personal interest

Note 1: Mr. Anthoni Salim owns 100% of FPIL (BVI) which, in turn, is interested in 628,296,599 shares in the Company. Mr. Anthoni Salim also owns 56.8% of FPIL (Liberia) which, in turn, is interested in 790,229,364 shares in the Company.

The remaining 43.2% interest in FPIL (Liberia) is owned as to 30.0% by Mr. Sutanto Djuhar, 10.0% by Mr. Tedy Djuhar and 3.2% by Mr. Ibrahim Risjad, all of whom are Directors.

(b) Long positions in shares in associated corporations

- Manuel V. Pangilinan owned 15,048,064 common shares[p] in Metro Pacific, 195,362 common shares[p] in PLDT and 360 preferred shares[p] in PLDT as beneficial owner and a further 15,417 common shares in PLDT as nominee for another person, as well as 3,500,000 common shares[p] in Pilipino Telephone Corporation.

- Edward A. Tortorici owned 16,741,348 common shares[p] in Metro Pacific and 104,874 common shares[p] in PLDT.

- Sutanto Djuhar owned 15,520,335 ordinary shares[c] in Indofood.

- Tedy Djuhar owned 15,520,335 ordinary shares[c] in Indofood.

- Ibrahim Risjad owned 6,406,180 ordinary shares[p] in Indofood.

- Anthoni Salim owned 632,370 ordinary shares[p] in Indofood.

- Albert F. del Rosario owned 100,025 common shares[p] in PLDT, 1,560 preferred shares[p] in PLDT, 32,231,970 preferred shares[p] in Prime Media Holdings, Inc. ("PMH") as nominee for another person, 4 common shares[p] in PMH as beneficial owner, 100 common shares[p] in Negros Navigation Co., Inc., 4,922 common shares[p] in Costa de Madera Corporation, 19,999 common shares[p] in FPD Savills Consultancy Philippines, Inc. as beneficial owner and one common share[p] in FPD Savills Consultancy Philippines, Inc. as beneficiary of certain trusts, 15,000 common shares[p] in Metro Pacific Land Holdings Inc., and 80,000 common shares[p] in Metro Strategic Infrastructure Holdings, Inc.

[p] = Personal interest, [c] = Corporate interest

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and Stock Exchange.

(b) Interests and short positions of substantial Shareholders in the securities of the Company

Save as disclosed below, as at the Latest Practicable Date, the Company had not been notified of any other person (other than the Directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following parties, other than a Director or chief executive of the Company, have an interest or short position in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(a) FPIL (Liberia), which was incorporated in the Republic of Liberia, beneficially owned 790,229,364 Shares as at the Latest Practicable Date, representing approximately 24.78 percent of the Company's issued share capital at that date. FPIL (Liberia) is owned by the Chairman (Anthoni Salim) and three non-executive Directors (Sutanto Djuhar; Tedy Djuhar and Ibrahim Risjad), in the proportions specified in Note 1 on page 139. Mr. Anthoni Salim is taken to be interested in the Shares owned by FPIL (Liberia).

(b) FPIL (BVI), which was incorporated in the British Virgin Islands, beneficially owned 628,296,599 Shares as at the Latest Practicable Date, representing approximately 19.70 percent of the Company's issued share capital at that date. Anthoni Salim, the Chairman of the Company, beneficially owns the entire issued share capital of FPIL (BVI) and, accordingly, is taken to be interested in the Shares owned by FPIL (BVI).

(c) Brandes Investment Partners, LP ("Brandes"), a U. S. company, notified the Company that it held 415,082,387 Shares in April 2006, representing approximately 13.02 percent of the Company's issued share capital. As at the Latest Practicable Date, the Company has not received any other notification from Brandes of any change to such holding.

(d) Marathon Asset Management Limited ("Marathon"), a U.K. incorporated company, notified the Company that it held 204,709,173 Shares in November 2005, representing approximately 6.42 percent of the Company's issued share capital. As at the Latest Practicable Date, the Company has not received any other notification from Marathon of any change to such holding.

(e) Deutsche Bank Aktiengesellschaft ("DBA"), a Germany incorporated company, notified the Company that it held 176,524,000 Shares (long position) in March 2006, representing approximately 5.54 percent of the Company's issued share capital, as well as 14,571,000 Shares (short position), representing approximately 0.46 percent of the Company's issued share capital. As at the Latest Practicable Date, the Company has not received any other notification from DBA of any change to such holding.

(c) Interests in the Offeror

As at the Latest Practicable Date, the Offeror was wholly-owned by Mr. Anthoni Salim, the Chairman of the Company. Save as aforesaid, none of the Company and the Directors were interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Offeror as at the Latest Practicable Date.

(d) Other interests in the Company

As at the Latest Practicable Date,

(i) save as disclosed in section 4(a) and (b) in this appendix, none of the Offeror, the directors of the Offeror, its Concert Parties, and the Directors were interested in or owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

(ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;

(iii) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers;

(iv) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

(v) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with the Offeror or any person acting in concert with it;

(vi) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

(vii) no person prior to the posting of this Composite Document had irrevocably committed himself or herself to accept or reject the Offers;

(viii) none of the advisers to the Company as specified in class (2) of the definition of associate under the Takeovers Code (excluding exempt principal traders) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company; and

(ix) none of the Directors (other than Mr. Anthoni Salim) intend in respect of their own beneficial shareholding, if any, to accept the Offers.

5. DEALINGS IN SECURITIES

(a) Save for the Acquisitions, none of the Offeror, its directors, or its Concert Parties had dealt for value in any securities of the Company during the period beginning six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date;

(b) neither the Company nor any of its Directors had dealt for value in the securities of the Offeror and none of the Directors had dealt for value in the securities of the Company during the period beginning six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date;

(c) no subsidiary of the Company, nor any pension fund of the Company or any of its subsidiaries, nor any of the professional advisers named under the section headed “Consents” in this Appendix nor any adviser to the Company as specified in class (2) of the definition of “associate” in the Takeovers Code had dealt for value in any securities in the Company during the period beginning six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date;

(d) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Takeovers Code had dealt for value in any securities in the Company during the period beginning six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date;

(e) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or its Concert Parties had dealt for value in any securities in the Company during the period beginning six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date; and

(f) no fund managers (other than exempted fund managers) who managed funds on a discretionary basis or connected with the Company had dealt for value in any securities in the Company during the period beginning six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date.

6. MARKET PRICES

(a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period beginning six months prior to the date of the Joint Announcement and ending on the Latest Practicable Date, were HK$3.85 per Share on 8 May 2006 and HK$2.475 per Share on 27 October 2005, respectively.

(b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on the last trading day of each of the calendar months during the period commencing 6 months immediately preceding the date of the Joint Announcement on which trading of the Shares took place:

Date	**Closing Price** *HK$*
31 October 2005	2.525
30 November 2005	2.900
30 December 2005	3.000
27 January 2006	3.000
28 February 2006	2.775
31 March 2006	2.875
27 April 2006*	3.250

* *Trading of the Shares has been suspended on 28 April 2006 pending on the release of the announcement in relation to the Offers.*

(c) The closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day was HK$3.25 per Share.

(d) The closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date was HK$3.825 per Share.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

In the period commencing two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date, only the following contracts that are or may be material, not being contracts entered into in the ordinary course of business, were entered into by the Company or its subsidiaries.

(a) The subscription agreement dated 12 January 2005 made between the Company, FPF and UBS AG in respect of the issue of US$199 million (HK$1,552.2 million) zero coupon guaranteed exchangeable notes due 2010 at par (the "Notes").

(b) The trust deed dated 18 January 2005 made between the Company, FPF, The Hongkong and Shanghai Banking Corporation Limited and Larouge B.V. ("Larouge") constituting the Notes.

(c) The International Securities Lenders Association Global Master Securities Lending Agreement dated 18 January 2005 made between Larouge and UBS Limited ("UBS") pursuant to which Larouge and UBS have entered into a master agreement relating to stock lending arrangements with respect to certain shares held by the Group in PLDT forming the initial exchange property, with the intention that certain of the shares held by the Group in PLDT forming the initial exchange property be made available to investors in the Notes pursuant to stock lending arrangements with UBS.

(d) The share purchase agreement dated 9 November 2005 and entered into between Cirio Finanziaria S.p.A. in Amministrazione Straordinaria, Del Monte Holdings Limited ("Del Monte") (as the Seller) and the Company, in respect of the acquisition of the 428,570,000 shares of Del Monte at a consideration of US$163,628,026 by the Company or a wholly owned subsidiary (the proposed acquisition did not proceed to completion as the pre-emption condition was not satisfied).

(e) The co-operation agreement dated 31 January 2006 by and among PLDT, the Company, Metro Pacific, Metro Asia Link Holdings, Inc., Metro Pacific Resources, Inc., Larouge, Metro Pacific Assets Holdings, Inc., NTT Communications Corporation and NTT Docomo, Inc.

9. SERVICE CONTRACTS

Mr. Tortorici has a service contract with the Company expiring on 31 December 2007. The amount of fixed remuneration payable under the contract, excluding arrangements for pension payments, is currently US$1,035,000 per annum, payable in arrears over 12 months at the rate of US$86,250 per month.

The amounts of any variable remuneration payable under the contract include annual discretionary bonus equal to 0% to 50% of the base annual fee, participation in the share option scheme of the Company adopted on 24 May 2004 as well as any other perquisites and benefits customarily provided to senior executive officers of the Company. Upon the expiration of Mr. Tortorici's employment, he will be granted an augmented retirement benefit calculated based on two months' pay for every completed year of full time service to the Company, starting from August 1987.

Save as disclosed above, none of the Directors has any existing or proposed service contract with any member of the Group which (i) have been entered into or amended within 6 months before the commencement of the offer period (including both continuous and fixed term contracts); (ii) are continuous contracts with a notice period of 12 months or more; and (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

10. CONSENTS

Each of CIMB-GK and Somerley Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and/or references to its name, in the form and context in which they appear.

11. QUALIFICATIONS

The following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Document:

Name	Qualification
CIMB-GK	a corporation licensed to conduct types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
Somerley Limited	a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

12. GENERAL

(a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

(b) As at the Latest Practicable Date, there is no material contract to which the Offeror is a party in which any Director has a material personal interest save for the Acquisitions.

(c) As at the Latest Practicable Date, there is no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers.

(d) As at the Latest Practicable Date, save for the pledge of Shares as collaterals for the loan facility granted to the Offeror, no agreement, arrangement or understanding has been entered into by the Offeror, the directors of the Offeror or its Concert Parties for the transfer, charge or pledged by any of them to any other person of any Shares acquired pursuant to the Share Offer.

(e) The registered office of the Offeror is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(f) The directors of the Offeror are Messrs. Anthoni Salim, Benny Santoso (a non-executive Director) and Alamsah Suhardi. The beneficial owner of the Offeror is Mr. Anthoni Salim, with address at 24/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

(g) The registered office of CIMB-GK, the financial adviser to the Offeror, is at 25/F, Central Tower, 28 Queen's Road Central, Hong Kong.

(h) The registered office of Somerley Limited, the independent financial adviser to the Independent Board Committee, the Independent Shareholders and the Independent Optionholders is at Suite 2201, 22nd Floor, Two International Finance Centre, 8 Finance Street, Central , Hong Kong.

(i) The Chairman of the Company is Mr. Anthoni Salim, the executive Directors are Messrs. Manuel V. Pangilinan, Edward A. Tortorici and Robert C. Nicholson, the independent non-executive Directors are Professor Edward K. Y. Chen (GBS, CBE, JP), Mr. Graham L. Pickles and Mr. David W. C. Tang (OBE, Chevalier de L'Ordre des Arts et des Lettres) and the non-executive Directors are His Excellency Albert F. del Rosario, Messrs. Sutanto Djuhar, Tedy Djuhur, Ibrahim Risjad and Benny S. Santoso.

(j) The secretary of the Company is Ms. Nancy L.M. Li, BA, FCS, FCIS.

(k) The English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection between 9:00 a.m. and 5:00 p.m. from Monday to Friday and from 9:00 a.m. to 1:00 p.m. on Saturday (except for public holidays) at the principal office of the Company at 24/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong while the Offers remain open:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of the Offeror;

(c) the annual report of the Company for the two years ended 31 December 2005;

(d) the letter from CIMB-GK as set out on pages 15 to 25 of this Composite Document;

(e) letter from the Independent Board Committee as set out on pages 26 to 27 of this Composite Document;

(f) the facility agreement dated 28 April 2006 entered into, among others, Bumiputra-Commerce Bank Berhad, Hong Kong Branch and the Guarantor regarding the granting of the stand-by facility of US$75 million to purchase the Shares or Options tendered as acceptances under the Offers;

(g) the underwriting agreement dated 28 April 2006 entered into amongst the Offeror, the Guarantor and CIMB-GK with regard to when the Share Offer becomes unconditional to underwrite the Underwritten Shares;

(h) the letter from Somerley Limited as set out on pages 28 to 49 of this Composite Document;

(i) the written consents from the experts referred to in the paragraph headed "Consents" in this Appendix;

(j) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix; and

(k) the service contract referred to in the section headed "Service contracts" in this Appendix.

Copies of these documents will be available for inspection on the Company's website at www.firstpacco.com and on the website of the SFC at www.sfc.hk while the Offers remain open.