FIRST PACIFIC

First Pacific Company Limited

Stock Code: 142

Annual Report 2016

Creating Long-term Value in Asia

Corporate Profile

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

First Pacific portfolio has a balance of more mature assets in PLDT Inc. ("PLDT") and PT Indofood Sukses Makmur Tbk ("Indofood") which deliver steady dividend flows allowing investment for growth in Metro Pacific Investments Corporation ("MPIC"), Goodman Fielder Pty Limited ("Goodman Fielder"), Philex Mining Corporation ("Philex"), PacificLight Power Pte. Ltd. ("PLP") and Roxas Holdings, Inc. ("RHI"). PLDT is the dominant telecommunications provider in the Philippines and Indofood is the largest vertically integrated food company in Indonesia. MPIC is the Philippines' largest infrastructure investment management and holding company with investments in the Philippines' largest electricity distributor, toll road operator, water distributor, hospital group and rail, as well as the largest electricity generator in the Visayas region of the Philippines. Goodman Fielder is a leading food company in Australasia. Philex is one of the largest metal mining companies in the Philippines, producing gold, copper and silver. PLP is the operator of one of Singapore's most efficient gas-fired power plants and RHI runs an integrated sugar and ethanol businesses in the Philippines.

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

As at 28 March 2017, First Pacific's economic interest in PLDT is 25.6%, in Indofood 50.1%, in MPIC 42.0%, in FPW Singapore Holdings Pte. Ltd. ("FPW") 50.0%, in Philex 31.2%[(1)], in FPM Power Holdings Limited ("FPM Power") 67.8%[(2)] and in FP Natural Resources Limited ("FP Natural Resources") 79.4%[(3)].

(1) Two Rivers Pacific Holdings Corporation ("Two Rivers"), a Philippine affiliate of First Pacific, holds additional 15.0% and 7.7% economic interests in Philex and PXP Energy Corporation ("PXP"), respectively.

(2) Includes a 7.8% effective economic interest in FPM Power held by First Pacific through its indirect interests in Manila Electric Company ("Meralco").

(3) Includes a 9.4% effective economic interest in FP Natural Resources held by First Pacific through its indirect interests in Indofood Agri Resources Ltd. ("IndoAgri"). FP Natural Resources holds 26.8% in RHI, and its Philippine affiliate First Agri Holdings Corporation ("FAHC") holds an additional 32.9% economic interest in RHI and a 100.0% economic interest in First Coconut Manufacturing Inc. ("FCMI").

First Pacific's principal investments are summarized on pages 237 and 238.

Our Mission
Within these sectors, our mission is to unlock value in our investee companies by:

- Delivering dividend/distribution returns to shareholders;
- Delivering share price/value appreciation of First Pacific and the investee companies; and
- Making further investment in our businesses.

Our Investment Criteria
are clear:

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

Our Strategies
are threefold:

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

Contents

35 years' journey

First Pacific has grown from a small Hong Kong office with only six members in **1981** to a thriving group of companies with over 125,000* employees in **2016**.

1981

- First Pacific Finance Limited was founded as a financial services provider in Hong Kong (deposit-taking company or aka finance house). Start-up capital was HK$7 million (US$0.9 million) with a total staff of six (6) in a 500 square feet (50 square meters) office in Central, Hong Kong. Original name was Overseas Union Finance Limited (OUF)

1982-1987

- Acquired Hibernia Bank in San Francisco, a controlling interest in Hagemeyer, the Netherlands, invested in Berli Jucker in Thailand, First Pacific Davies in Hong Kong, United Savings Bank in California, Hong Nin Bank in Hong Kong and founded Metro Pacific Corporation in the Philippines

1988

- First Pacific Holdings and First Pacific International merged to form the currently listed First Pacific Company (using Shanghai Land of the Kadoorie Family as the listed shell)
- First investment in telecoms with the purchase of a 50% interest in Pacific Link, Hong Kong. Acquired Dragon Seed Department Store in Hong Kong, set up retail operations (System One for electronic appliances and Sports Authority for sporting goods)

1989

- Acquired a controlling interest in Imagineering Australia thereafter named Tech Pacific

1992

- Acquired Far East Bank and merged it with Hong Nin Bank, renamed and listed as First Pacific Bank in Hong Kong

1988-1996

- First Pacific showed significant growth in marketing and distribution, property and banking divisions; and pioneered in regional telecoms investments

1993-1996

- Smart Communications launched cellular services in the Philippines. NTT of Japan invested in Smart Communications as a strategic investor. Acquired PDCP Bank and First e-Bank in the Philippines
- Invested in GSM networks in China's Fujian Province, Shenzhen, Dongguan and Huizhou and in Taiwan's Tuntex Telecom, rolled out GSM mobile networks in India through Escotel

1996

- First Pacific became a constituent of the Hang Seng Index

1998

- With the Asian crisis, First Pacific restructured and refocused in Asia with core investments in leading companies in telecoms, consumer food products and infrastructure sectors

1998-2000

- Acquired PLDT in the Philippines and Indofood in Indonesia. Concluded acquisition of Smart by PLDT

2006

- Relisted MPIC as an infrastructure company

* Includes employees at PLDT, Meralco, Goodman Fielder and Philex.

2007

- Increased investment in PLDT. Invested in water distribution (Maynilad) and hospital (Makati Medical Center) through MPIC. Listed Indofood's plantations businesses through IndoAgri. IndoAgri acquired Lonsum (plantations)

2008

- First Pacific made its first investments in mining (Philex), and in toll roads (MPTC) through MPIC. MPIC increased investment in Maynilad. Indofood added dairy business through the acquisition of Indolakto

2009

- Invested in electricity distribution (Meralco) through PLDT and MPIC. Increased investment in Philex

2010

- Increased investments in Meralco through Beacon Electric (PLDT and MPIC), in hospitals through MPIC and in Philex. Listed Indofood's consumer branded products businesses through ICBP

2011

- Increased investments in telecoms through PLDT's acquisition of Digitel, in Meralco through Beacon Electric, in hospitals through MPIC. Listed natural resources businesses through Philex Petroleum (oil and gas exploration) and SIMP (plantations)

2012

- Increased investments in Meralco through Beacon Electric (PLDT and MPIC), in Philippine Hydro (PH) Inc. through Maynilad, in CAVITEX through MPTC, in hospital through MPIC, in consumer products through Indofood, in plantation through IndoAgri, SIMP and Lonsum

2013

- FPM Infrastructure (First Pacific and MPIC) acquired 29.45% of Don Muang Tollway

- FP Natural Resources (First Pacific and IndoAgri) acquired 34.0% of Roxas Holdings

- FPM Power (First Pacific and Meralco) acquired 70.0% of PacificLight Power

2014

- First Pacific sold its 75.0% interest in FPM Infrastructure to MPIC, lifted MPIC stake in Don Muang Tollway to 29.45%

2015

- First Pacific acquired 50.0% of Goodman Fielder

- FP Natural Resources (First Pacific and IndoAgri) and its Philippine affiliate increased investment in Roxas Holdings to 50.9%

2016

- Metro Pacific Holdings, Inc. ("MPHI", a Philippine affiliate of First Pacific) sold 4.1% diluted interest in MPIC to GT Capital Holdings, Inc. ("GT Capital") and subscribed newly issued Class A voting preferred shares in MPIC. Post transactions, MPHI holds a voting interest in MPIC of 55.0% and an economic interest of 42.0%

- MPIC expanded its power portfolio by increasing its interest in Beacon Electric to 75.0% from 50.0% and invested in Global Business Power Corporation

Ten-year Statistical Summary

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Results (US$ millions)										
Turnover	**6,779.0**	6,437.0	6,841.3	6,005.8	5,990.8	5,684.1	4,640.2	3,925.6	4,105.3	3,040.8
Profit for the year	**517.8**	418.9	503.2	620.9	834.9	1,097.4	785.3	680.6	326.8	673.5
Profit attributable to owners of the parent	**103.2**	80.6	75.7	235.3	353.3	574.0	403.0	410.9	202.2	496.6
Contribution from operations	**400.2**	426.5	455.7	467.2	460.8	511.8	474.0	335.2	304.4	244.8
Recurring profit	**264.9**	287.5	316.9	327.1	358.0	423.0	402.1	286.6	239.2	186.7
Ordinary share distributions/dividends	**74.1**	74.2	115.7	116.1	103.8	109.8	99.4	56.1	37.0	41.1
Per Ordinary Share Data (U.S. cents)										
Basic earnings	**2.42**	1.89	1.76	5.66	9.01	14.49	10.16	11.72	5.82	14.35
Basic recurring earnings	**6.21**	6.74	7.39	7.87	9.13	10.68	10.13	8.18	6.89	5.39
Distributions/dividends	**1.74**	1.74	2.70	2.70	2.70	2.85	2.55	1.54	1.15	1.28
Equity attributable to owners of the parent	**72.68**	71.93	78.08	81.44	84.65	78.50	65.99	49.64	35.17	35.09
Total assets	**402.07**	402.93	378.67	360.68	362.80	327.55	279.68	243.43	224.03	161.94
Net tangible assets	**300.82**	305.12	295.40	281.00	281.45	251.57	208.51	178.58	155.13	151.17
Net cash flows from operating activities	**17.11**	15.21	19.48	17.41	25.54	16.22	20.66	1.69	4.76	3.78
Financial Ratios										
Gross margin (%)	**29.57**	27.86	27.59	29.31	31.08	31.21	35.50	30.20	24.41	23.68
Recurring return on average net assets (%)	**9.23**	9.24	10.13	10.18	11.83	15.01	16.11	15.20	18.88	18.96
Recurring return on average equity attributable to owners of the parent (%)	**8.57**	8.96	9.24	9.69	11.43	15.11	17.91	18.82	21.16	21.79
Distribution/dividend payout ratio (%)	**27.97**	25.81	36.51	35.49	28.99	25.96	24.72	19.57	15.47	22.01
Distribution/dividend cover (times)	**3.57**	3.87	2.74	2.82	3.45	3.85	4.05	5.11	6.46	4.54
Distribution/dividend yield (%)	**2.49**	2.64	2.74	2.38	2.49	2.75	2.84	2.39	3.34	1.64
Interest cover (times)	**4.18**	3.87	4.29	4.77	6.29	7.18	5.02	3.67	4.76	3.89
Current ratio (times)	**1.24**	1.39	1.69	1.72	1.78	1.57	1.85	1.37	0.87	0.94
Gearing ratio (times)										
– Consolidated	**0.54**	0.64	0.47	0.43	0.30	0.26	0.33	0.67	1.06	0.68
– Company	**0.75**	0.79	0.56	0.51	0.67	0.71	0.46	0.36	0.47	0.35

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Consolidated Statement of Financial Position Data (US$ millions)										
Total assets	**17,215.4**	17,199.0	16,233.4	15,544.1	13,886.7	12,611.8	10,914.1	9,397.3	7,199.0	5,221.1
Net debt	**4,338.0**	4,667.9	3,455.9	3,182.5	2,145.8	1,764.8	1,847.0	2,719.5	2,520.8	1,443.8
Total liabilities	**9,181.1**	9,864.6	8,822.1	8,064.6	6,636.0	5,732.6	5,302.0	5,358.2	4,823.8	3,098.1
Net current assets/(liabilities)	**646.9**	1,186.2	1,944.6	1,672.3	1,613.9	1,193.0	1,278.4	594.3	(264.7)	(86.9)
Total assets less current liabilities	**14,493.6**	14,130.4	13,420.2	13,213.4	11,817.1	10,508.8	9,409.3	7,797.0	5,123.3	3,665.1
Equity attributable to owners of the parent	**3,112.0**	3,070.2	3,347.2	3,509.9	3,240.0	3,022.7	2,575.2	1,916.2	1,130.1	1,131.3
Total equity	**8,034.3**	7,334.4	7,411.3	7,479.5	7,250.7	6,879.2	5,612.1	4,039.1	2,375.2	2,123.0
Consolidated Statement of Cash Flows Data (US$ millions)										
Net cash flows from operating activities	**731.4**	650.0	835.8	723.9	1,002.0	642.5	819.9	59.1	165.2	130.7
Capital expenditure	**696.7**	830.8	636.4	899.7	701.6	561.7	513.7	389.8	300.5	106.3
Other Information (at 31 December)										
Company's net debt (US$ millions)[i]	**1,511.3**	1,675.3	1,227.5	1,160.3	1,133.8	1,170.3	816.9	651.7	731.3	532.4
Number of shares in issue (millions)	**4,281.7**	4,268.5	4,287.0	4,309.7	3,827.6	3,850.4	3,902.4	3,860.3	3,213.4	3,224.1
Weighted average number of shares in issue during the year (millions)	**4,275.8**	4,274.2	4,299.1	4,157.4	3,922.7	3,961.8	3,967.7	3,505.6	3,474.1	3,461.1
Share price (HK$)										
– After rights issue	**5.42**	5.14	7.69	8.82	8.32	7.90	6.83	4.61	2.48	5.59
– Before rights issue	**N/A**	N/A	N/A	N/A	8.51	8.08	7.00	4.74	2.69	6.05
Adjusted NAV per share (HK$)										
– After rights issue	**10.45**	9.67	13.24	12.57	15.09	13.09	12.63	10.14	5.54	10.63
– Before rights issue	**N/A**	N/A	N/A	N/A	15.43	13.38	12.91	10.37	5.97	11.46
Share price discount to adjusted NAV per share (%)	**48.1**	46.8	41.9	29.8	44.8	39.6	45.8	54.3	54.9	47.2
Market capitalization (US$ millions)	**2,975.2**	2,812.8	4,226.5	4,873.3	4,176.0	3,988.6	3,502.2	2,345.9	1,108.2	2,500.7
Number of shareholders	**4,760**	4,796	4,853	4,884	4,606	4,503	4,608	6,202	4,983	4,736
Number of employees	**94,189**	96,446	98,107	91,874	80,941	73,582	70,525	68,416	66,452	62,395

N/A: Not applicable

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

See pages 234 and 235 for a glossary of terms

Note: In 2016, the Group has adopted HKAS 16 and HKAS 41 Amendments "Agriculture: Bearer Plants" which resulted in changes in its accounting policies for the accounting treatments for biological assets and bearer plants. Details regarding the changes are provided in Note 2(B) to the Consolidated Financial Statements. Accordingly, the comparative amounts of (i) profit for the year, (ii) profit attributable to owners of the parent, (iii) contribution from operations, (iv) recurring profit, (v) basic earnings per share, (vi) basic recurring earnings per share, (vii) equity attributable to owners of the parent per share, (viii) total assets per share, (ix) net tangible assets per share, (x) gross margins, (xi) recurring return on average net assets, (xii) recurring return on average equity attributable to owners of the parent, (xiii) distribution/dividend payout ratio, (xiv) distribution/dividend cover, (xv) interest cover, (xvi) current ratio, (xvii) consolidated gearing ratio, (xviii) total assets, (xiv) total liabilities, (xx) net current assets, (xxi) total assets less current liabilities, (xxii) equity attributable to owners of the parent and (xxiii) total equity for 2015 and 2014 have been restated to reflect such changes. The figures prior to 2014 have not been restated as it is impracticable to do so. In December 2009 and July 2013, the Company completed two rights issues, offering its shareholders one rights share for every five existing shares held at a subscription price of HK$3.40 per rights share and one rights share for every eight existing shares held at a subscription price of HK$8.10 per rights share, respectively. Accordingly, the comparative amounts of (i) basic earnings per share, (ii) basic recurring earnings per share, (iii) net cash flows from operating activities per share, (iv) weighted average number of shares in issue during the year, (v) share price (after rights issue) and (vi) adjusted NAV per share (after rights issue) for 2007 to 2012 have been restated to reflect the effects of these rights issues in order to provide a more meaningful comparison.

Financial Highlights

US$103.2m
Reported net profit ↑ 28%

US$264.9m
Recurring profit ↓ 8%

US$400.2m
Contribution from operations ↓ 6%

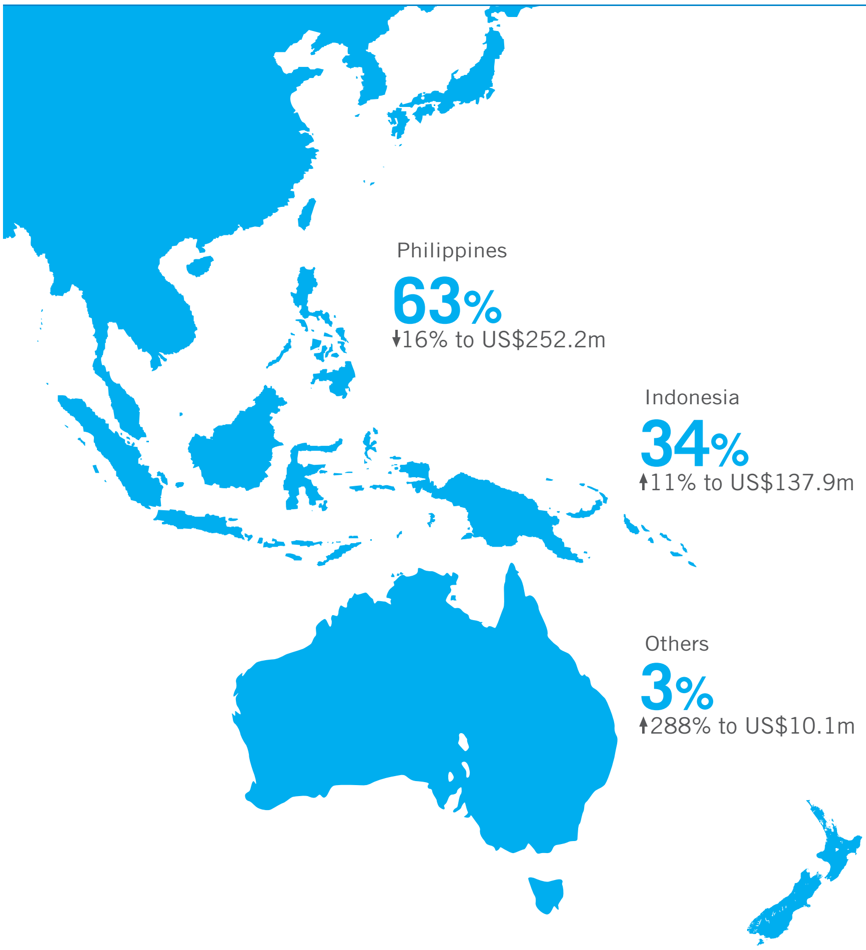
US$6.8b
Turnover ↑ 5%

US$3.0b
Market capitalization ↑ 6%

US$17.2b
Total assets

Profit Contribution from Operations ↓ 6% to US$400.2m

By country



By sector

Telecommunications
32%
↓29% to US$127.7m

Consumer food products
40%
↑19% to US$159.0m

Infrastructure
26%
↓4% to US$103.3m

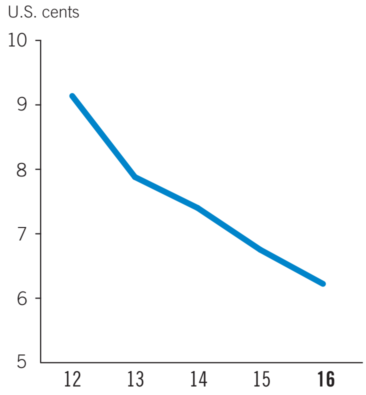
Natural resources
2%
↑108% to US$10.2m

- Distribution payout in cash terms at US$74.1 million
- Distribution payout rose to 28% from 26% of recurring profit
- Head Office dividend and fee income from operating companies down 26% to US$199.7 million
- Head Office gross debt at approximately US$1.8 billion
- Head Office net debt down 8% to approximately US$1.5 billion
- From January 2016 to January 2017, bought back and cancelled approximately US$186.3 million principal amount of bonds

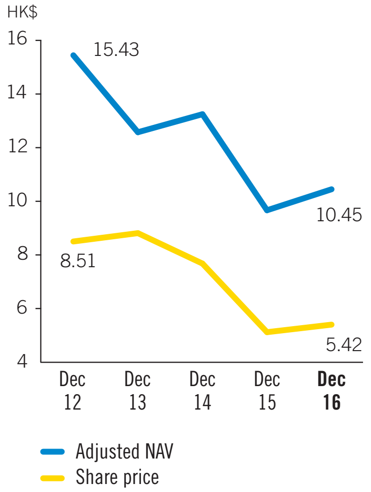
Five-year Data

(Per share)

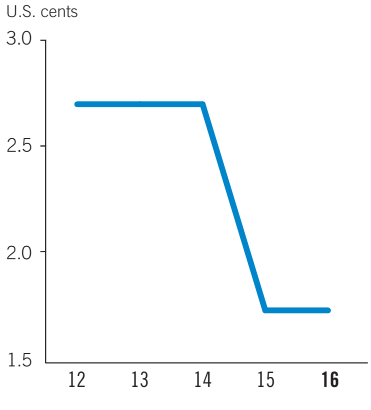
Basic Recurring Earnings



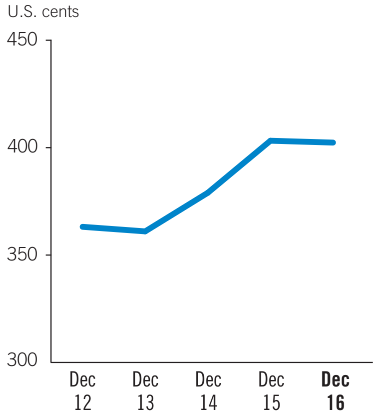
Share Price vs Adjusted NAV



Dividends/Distributions



Total Assets



Review of Operations

FIRST PACIFIC

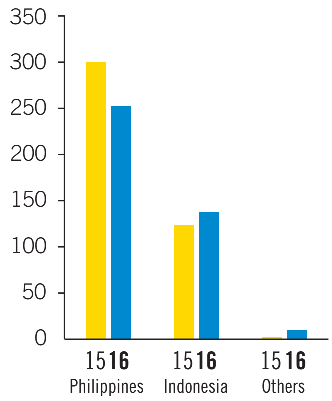
Below is an analysis of results by individual company.

Contribution and Profit Summary

For the year ended 31 December US$ millions	Turnover 2016	Turnover 2015	Contribution to Group profit[i] 2016	Contribution to Group profit[i] 2015 (Restated)[ii]
PLDT[iii]	–	–	**127.7**	180.7
Indofood	**5,010.5**	4,763.4	**137.9**	123.9
MPIC	**940.2**	816.5	**117.2**	118.2
FPW[iv]	–	–	**24.0**	13.3
Philex[iii]	–	–	**10.2**	4.9
FPM Power	**575.3**	663.5	**(13.9)**	(10.7)
FP Natural Resources	**253.0**	193.6	**(2.9)**	(3.8)
Contribution from Operations[v]	**6,779.0**	6,437.0	**400.2**	426.5
Head Office items:				
– Corporate overhead			**(28.4)**	(31.8)
– Net interest expense			**(95.7)**	(94.4)
– Other expenses			**(11.2)**	(12.8)
Recurring Profit[vi]			**264.9**	287.5
Foreign exchange and derivative losses[vii]			**(9.1)**	(48.5)
Gain on changes in fair value of biological assets			**2.6**	0.2
Non-recurring items[viii]			**(155.2)**	(158.6)
Profit Attributable to Owners of the Parent			**103.2**	80.6

Contribution by Country

US$ millions



(i) After taxation and non-controlling interests, where appropriate

(ii) The Group has restated its 2015 contribution from Indofood to US$123.9 million from US$130.3 million and changes in fair value of biological assets to a gain of US$0.2 million from a loss of US$1.7 million following its adoption of the amendments to HKAS 16 and 41 “Agriculture: Bearer Plants” with effect from 1 January 2016. Accordingly, the Group’s 2015 recurring profit has been restated to US$287.5 million from US$293.9 million and its 2015 profit attributable to owners of the parent has been restated to US$80.6 million from US$85.1 million. Details of the changes are set out in Note 2(B) to the consolidated financial statements.

(iii) Associated companies

(iv) Joint venture

(v) Contribution from operations represents the recurring profit contributed to the Group by its operating companies.

(vi) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative losses, gain on changes in fair value of biological assets and non-recurring items.

(vii) Foreign exchange and derivative losses represent the losses on foreign exchange translation differences on the Group’s unhedged foreign currency denominated net borrowings and payables and the changes in the fair values of derivatives.

(viii) Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. 2016’s non-recurring losses of US$155.2 million mainly represent the Group’s impairment provisions for assets, including FPM Power’s goodwill related to its investment in PLP (US$44.8 million), PLDT’s investment in Rocket Internet shares and other intangible assets (US$35.4 million), Philex’s deferred exploration costs and other assets (US$31.4 million) and MPIC’s investment in Landco Pacific Corporation (“Landco”) (US$6.8 million), PLP’s provision for onerous contracts (US$6.0 million) and MPIC’s project expenses (US$3.8 million). 2015’s non-recurring losses of US$158.6 million mainly represent the Group’s impairment provision in respect of its investment in Philex (US$89.1 million), PLDT’s impairment provisions for its fixed assets affected by network upgrade (US$32.7 million) and investment in Rocket Internet shares (US$28.7 million) and MPIC’s project expenses (US$5.7 million).

Turnover up 5% to US$6.8 billion from US$6.4 billion	■ reflecting higher revenues at Indofood and MPIC ■ higher revenues from RHI compared with 10 months in 2015 following the consolidation of RHI from 27 February 2015 ■ partly offset by lower revenues at PLP
Recurring profit down 8% to US$264.9 million from US$287.5 million	■ reflecting a decrease in contribution from PLDT ■ an increase in loss at FPM Power ■ partly offset by higher profit contributions from Indofood, FPW and Philex, and lower Head Office corporate overhead
Non-recurring losses down 2% to US$155.2 million from US$158.6 million	■ reflecting FPM Power's non-cash impairment provision for its investment in PLP ■ PLDT's additional non-cash impairment provision for its investment in Rocket Internet shares ■ Philex's non-cash impairment provision for deferred exploration costs
Reported profit up 28% to US$103.2 million from US$80.6 million	■ reflecting lower foreign exchange and derivative losses ■ partly offset by a lower recurring profit

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

Closing exchange rates against the U.S. dollar At 31 December	2016	2015	One year change
Peso	**49.72**	47.06	-5.3%
Rupiah	**13,436**	13,795	+2.7%
A$	**1.389**	1.372	-1.2%
S$	**1.447**	1.419	-1.9%

Average exchange rates against the U.S. dollar For the year ended 31 December	2016	2015	One year change
Peso	**47.67**	45.61	-4.3%
Rupiah	**13,322**	13,449	+1.0%
A$	**1,347**	1.342	-0.4%
S$	**1.382**	1.379	-0.2%

During 2016, the Group recorded net foreign exchange and derivative losses of US$9.1 million (2015: US$48.5 million), which can be further analyzed as follows:

US$ millions	2016	2015
Head Office	**(8.3)**	(4.3)
PLDT	**(6.3)**	(11.3)
Indofood	**6.2**	(22.2)
MPIC	**1.9**	0.4
FPW	**0.4**	(0.3)
Philex	**(1.0)**	(0.9)
FPM Power	**(2.2)**	(9.9)
FP Natural Resources	**0.2**	–
Total	**(9.1)**	(48.5)

Divestment

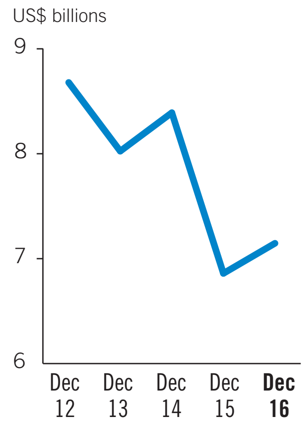
On 27 May 2016, MPHI, a Philippine affiliate of First Pacific, sold 4.1% diluted interest of MPIC to GT Capital for a net consideration of US$168.6 million. Following the transaction together with the dilution impact from MPIC's share placement to GT Capital for Pesos 22.0 billion (US$460.7 million), MPHI's economic interest in MPIC was reduced to approximately 42.0% from approximately 52.0%.

Capital Management

Distributions

First Pacific's Board of Directors, taking into consideration cash flow trends and following consistent prudent risk management practices, declared a final distribution of HK5.5 cents (U.S. 0.71 cent) per share which brings the total distributions for 2016 to HK13.5 cents (U.S. 1.74 cent) per share, unchanged from a year earlier. The total distributions represent a 28% payout of the Group's 2016 recurring profit attributable to shareholders, higher than the committed payout of 25%.

Value of Assets

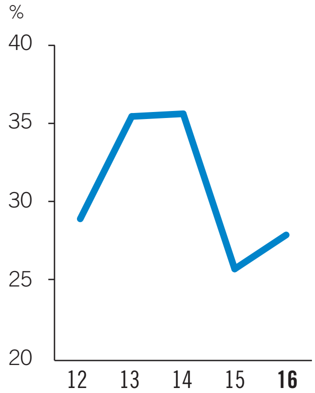


Debt Profile

At 31 December 2016, net debt at the Head Office stood at approximately US$1.5 billion while gross debt stood at approximately US$1.8 billion with an average maturity of approximately 3.1 years. 18% of the Head Office borrowings were floating rate bank loans while fixed rate bonds comprised the remainder. Unsecured debts accounted for 61% of Head Office borrowings. The blended interest rate was approximately 5.3% per annum.

With the net cash proceeds from the sale of MPIC shares to GT Capital and available cash resources, First Pacific bought back and cancelled approximately US$34.1 million principal amount of bonds during 2016. In addition, in January 2017, First Pacific through bond tender offers for all of the outstanding 2017 and an aggregate principal amount of up to US$200 million for the 2020 maturity bonds, bought back approximately US$152.2 million principal amount of bonds. In the period from 2016 to January 2017, First Pacific bought back and cancelled approximately US$186.2 million principal amount of bonds, hence net debt at the Head Office declined 8% to approximately US$1.5 billion.

Dividend/Distribution Payout Ratio



As at 28 March 2017, the principal amount of the following bonds remains outstanding:

- approximately US$218.5 million at 7.375% coupon with maturity on 24 July 2017
- US$400.0 million at 6.0% coupon with maturity on 28 June 2019
- approximately US$312.2 million at 6.375% coupon with maturity on 28 September 2020
- approximately US$367.3 million at 4.5% coupon with maturity on 16 April 2023

There is no Head Office recourse for subsidiaries or affiliates companies' borrowings.

Interest Cover

For 2016, Head Office recurring operating cash inflow before interest expense was approximately US$172.1 million. Net cash interest expense declined 2.7% to approximately US$91.7 million reflecting a lower average interest rate arising from 2016 bond repurchases. For the 12 months ended 31 December 2016, the cash interest cover was approximately 1.9 times.

Foreign Currency Hedging

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

2017 Outlook

2017 will see stabilization at PLDT as it enters a new phase in its transformation into a digital telecommunications and internet/media company. Our food companies Indofood and Goodman Fielder are looking forward to steady growth in demand for their products and in their profitability, while the premier infrastructure holding company in the Philippines, MPIC, sees demand for its electricity, water, toll road, hospital and other services continuing to grow steadily as its markets continue to rank among the fastest-growing in the world. Philex Mining continues to focus on Silangan for new production and on Padcal for possible new resources to develop. Given continuing positive outlook for the economies of emerging Asia, we feel that our investments are well positioned for growth in 2017 and beyond.

We expect to see continuing improvement in performance by the Group companies in 2017 and a return to earnings growth at First Pacific this year. We accordingly regard the Company's discount to net asset value as unjustified by prospects. We are currently reviewing our investment portfolio with an eye towards disposal of certain assets that no longer meet our return criteria. Proceeds from any asset sale would focus on a multi-year share repurchase program to signal management's dissatisfaction with the NAV discount, and to pay down debt. In this manner, we hope to return to the high shareholder returns that our investors have grown used to over the years at First Pacific.

PLDT

PROFIT CONTRIBUTION
US$127.7 million

PLDT contributed profit of US$127.7 million to the Group (2015: US$180.7 million), representing approximately 32% (2015: 42%) of First Pacific's aggregate contribution from operations for 2016. PLDT's performance was negatively impacted by intense competition and a continuing shift to data and digital services among consumers from more profitable traditional services such as cellular voice and SMS.

Consolidated core net income down 21% to Pesos 27.9 billion (US$584.4 million) from Pesos 35.2 billion (US$772.0 million)	■ reflecting the decline in wireless service revenues, higher depreciation and financing costs, lower equity share in earnings from Beacon Electric, share in losses in Vega Telecom, higher handset subsidies and provisions for customer receivables ■ partly offset by lower cash operating expenses, the higher gain from the sale of the 25% interest in Beacon Electric to MPIC, lower provision for income tax due to the recognition of deferred tax assets, and higher revenues from the fixed line business
Reported net income down 9% to Pesos 20.0 billion (US$419.7 million) from Pesos 22.1 billion (US$483.8 million)	■ reflecting lower core net income ■ includes a Pesos 5.4 billion (US$113.3 million) impairment of the investment in Rocket Internet following the decline in its share price
Consolidated service revenues down 3% to Pesos 157.2 billion (US$3.3 billion) from Pesos 162.9 billion (US$3.6 billion)	■ reflecting the continued structural change in the revenue mix ■ manifesting higher revenues from the data and broadband businesses, which accounted for 60% and 30% of fixed line and wireless service revenues (net of interconnection costs), respectively ■ revenues from data, broadband and digital platforms rose 18%, accounting for 41% of the total consolidated service revenues ■ offset by a 13% decline in revenues from cellular SMS, domestic voice and local exchange carrier, which accounted for 50% of total consolidated service revenues ■ ILD and NLD revenues, accounting for 9% of total consolidated service revenues, declined 19%
EBITDA down 13% to Pesos 61.2 billion (US$1.3 billion) from Pesos 70.2 billion (US$ 1.5 billion)	■ principally due to lower wireless revenues, higher subsidies and provisions arising from aggressive efforts to increase smartphone ownership, and expenses in relation to the migration of Sun subscribers ■ partly offset by lower cash operating expenses, mainly selling and promotion, as well as lower compensation and benefits expenses
EBITDA margin to 39% from 43%	■ reflecting the impact of the continuing evolution in the revenue mix where higher-margin SMS and voice businesses are replaced by relatively lower-margin data and broadband businesses, in line with industry trends ■ the high level of subsidies and provisions related to growing smartphone ownership among the customer base, excluding which would have resulted in an EBITDA margin of 42% ■ EBITDA margin for the wireless segment at 32% and for the fixed line segment at 39%

Capital Expenditure

From 2011 to 2016, PLDT spent approximately Pesos 217.2 billion (US$4.6 billion) in capital expenditure. In 2016, it was Pesos 42.8 billion (US$897.8 million) mainly deployed for network modernization and expansion to grow data traffic on both the fixed and wireless networks. This included the full integration of the Smart and Sun wireless networks in Metro Manila and Cebu, increased 4G and 3G coverage using low-band spectrum, the rollout of wifi facilities in major airports and transport hubs, and data capacity expansion.

Investments made to upgrade overall network quality, capacity and coverage are generating significant improvements in speed and customer experience. A customer experience survey undertaken in Rizal, where the network upgrade is 80% complete, showed that the voice call success rate remained high at 99%. Average data download and upload speeds for 3G rose 15% and 61% to 3.1 Mbps and 2.9 Mbps, respectively, while 4G data download and upload speeds accelerated 3.6 times and 1.4 times to 19.3 Mbps and 15.3 Mbps, respectively.

Capital expenditure for 2017 is estimated at Pesos 46.0 billion, consisting of projects to support the anticipated further growth in consumption of data and broadband services especially in the Home and Enterprise businesses of the fixed line segment, and to prepare for the 5G rollout.

Debt Profile

As at 31 December 2016, PLDT's consolidated net debt was US$2.9 billion compared with US$2.4 billion at 31 December 2015 as a result of higher capital expenditure and partial funding for the acquisition of Vega Telecom. Total gross debt rose US$0.3 billion to US$3.7 billion, of which 32% was denominated in U.S. dollars. Only 9% of the total debt was unhedged after taking into account the available U.S. dollar cash on hand and currency hedges in place. 74% of the total debts are due to mature beyond 2018. Considering interest rate swaps which have been completed, 92% of the total debt consists of fixed-rate borrowings. The average pre-tax interest cost increased to 4.5% from 4.2%. The debt profile remains manageable.

PLDT is rated investment grade by Fitch Ratings, Moody's Investors Service and Standard and Poor's Financial Services, unchanged from year-end 2015.

Capital Management

Dividends

PLDT's dividend policy is to pay 60% of core net income as regular dividends with a "look back" policy at year-end to assess the possibility of paying a special dividend. The PLDT Board of Directors declared a final regular dividend of Pesos 28 (US$0.59) per share payable on 6 April 2017 to shareholders on record as at 21 March 2017. Added to the interim regular dividend of Pesos 49 (US$1.03) per share paid on 1 September 2016, total dividends for 2016 will amount to Pesos 77 (US$1.62) per share. Considering the higher capital expenditure commitment for 2017 and plans to reduce debts, there was no special dividend declared for 2016.

Additional Investment and Asset Divestment

On 30 May 2016, PLDT and Globe Telecom, Inc. ("Globe") announced the acquisition of Vega Telecom, which holds the telecommunications businesses of SMC, for a total consideration of Pesos 70 billion (US$1.5 billion), consisting of Pesos 52.8 billion (US$1.1 billion) for the equity interest, and Pesos 17.2 billion (US$360.8 million) in assumed liabilities. Each of PLDT and Globe have a 50% equity interest in Vega Telecom. As part of the transaction, 85MHz of spectrum in various bands were returned to the government, while each of PLDT and Globe entered into co-use arrangements with the National Telecommunications Commission ("NTC") for 140MHz each across various spectrum bands. PLDT's share of the total consideration was Pesos 26.45 billion (US$554.9 million) in equity and Pesos 8.55 billion (US$179.4 million) in assumed liabilities. By the end of December 2016, PLDT had paid 75% of its share of the equity portion, with the remaining 25% to be paid in May 2017.

On 30 May 2016, PLDT's subsidiary PLDT Communications and Energy Ventures, Inc. ("PCEV") sold a 25% interest in Beacon Electric to MPIC for a consideration of Pesos 26.2 billion (US$549.6 million). PCEV had received Pesos 17.0 billion (US$356.6 million) in cash and the balance of Pesos 9.2 billion (US$193.0 million) is to be received in annual installments until June 2020.

Data and Broadband

All of the PLDT group's data and broadband businesses registered year-on-year increases in 2016. Data and broadband underpinned the growth in PLDT's Home and Enterprise businesses whose service revenues, net of interconnection costs, rose 10% and 9% to Pesos 29.3 billion (US$614.6 million) and to Pesos 30.6 billion (US$641.9 million), respectively. These businesses accounted for 40% of consolidated service revenues.

Revenues from mobile data, fixed and wireless home broadband, and corporate data and data center rose 26%, 14% and 15%, and accounted for 42%, 29% and 29% of consolidated data and broadband revenues, respectively.

PLDT has the largest number of broadband subscribers in the Philippines. Its combined broadband subscriber base rose 14% to 1.7 million. The number of PLDT fixed broadband subscribers grew 16% to 1.5 million. As at 31 December 2016, smartphone ownership rose to about 50% of PLDT's mobile subscriber base, with half of those owning smartphones paying for data. Mobile internet usage grew 49% in volume terms during 2016.

Wireless

Wireless service revenues (net of interconnection costs) declined 9% to Pesos 92.5 billion (US$1.9 billion), reflecting decreases in ILD, SMS and domestic voice revenues offsetting increases in revenues from wireless data and broadband. Revenues from wireless data, broadband and digital platforms; SMS and domestic voice; and ILD services represented 31%, 60% and 9% of total wireless service revenues, respectively. Wireless data, broadband and digital-related revenues rose 19%, reflecting higher smartphone penetration in the subscriber base, as well as increased data usage among those owning smartphones. SMS and domestic voice, and ILD revenues declined 18% and 23%, respectively, as more users switched to digital and data services.

The PLDT group's combined mobile subscriber base declined 9% to 62.8 million, while wireless home broadband subscribers grew 4% year-on-year to 0.3 million.

Prepaid subscribers remained high at 96% of the PLDT group's total mobile subscriber base, while postpaid accounted for the remaining 4%.

Fixed Line

Fixed line service revenues (net of interconnection costs) rose 7% to Pesos 63.1 billion (US$1.3 billion). The higher revenues from local exchange carrier, data and broadband, and corporate data and data center were partly offset by lower ILD and NLD revenues.

Fixed line data and broadband represented 60% of total fixed line service revenues with performance improving 12%, ILD and NLD revenues accounted for 9% of total fixed line service revenues and declined 9%, while local exchange carrier and others accounted for 31% of total fixed line service revenues, and rose 5%. The expanded fiber-to-the-home (FTTH) network had extended its services to 2.8 million homes passed as at the end of 2016.

The number of PLDT fixed line subscribers increased 6% year-on-year to 2.4 million of which 59% had broadband subscriptions.

Meralco

PLDT's indirect subsidiary PCEV owns 25% of Beacon Electric. As at 31 December 2016, Beacon Electric owned approximately 34.96% of Meralco.

Meralco, the largest electricity distribution utility in the Philippines, has a franchise to distribute electricity in most of Luzon until 2028. The franchise area produces nearly half of the Philippines' gross domestic product and Meralco accounts for over half of the total electricity sales in the Philippines.

Meralco's performance in 2016 can be found in the MPIC section of this document.

2017 Outlook

EBITDA is expected to grow for the first time since 2013, rising from Pesos 61.2 billion in 2016 to Pesos 70 billion in 2017 on the strength of a rise in consolidated service revenues led by double-digit growth in data and broadband revenues offsetting continuing declines in toll, cellular voice and SMS revenues. Recurring core income is seen rising by Pesos 1.5 billion to Pesos 21.5 billion as a result of higher EBITDA, offset by lower equity in earnings due to reduced ownership in Beacon Electric as well as losses and purchase price amortization expenses arising from the acquisition of Vega Telecom, and higher depreciation and financing costs. Capital expenditure is seen rising by Pesos 3.2 billion to Pesos 46 billion with a bigger percentage of the spend earmarked for the fixed line to support the grow momentum in the Home and Enterprise businesses, the continued rollout of LTE services to attain 70% population coverage by the end 2017, and carry-over of capex projects begun but not finished in 2016.

Indofood
THE SYMBOL OF QUALITY FOODS

PROFIT CONTRIBUTION
US$137.9 million

Indofood's contribution to the Group increased 11% to US$137.9 million (2015: US$123.9 million) principally reflecting higher core net income and a 1% appreciation of the average rupiah exchange rate against the U.S. dollar.

Core net income up 12% to Rupiah 4.0 trillion (US$299.4 million) from Rupiah 3.6 trillion (US$264.9 million)

- reflecting a 13% rise in operating profit
- improvement in the underlying performance across Strategic Business Groups

Net income up 40% to Rupiah 4.1 trillion (US$311.1 million) from Rupiah 3.0 trillion (US$220.7 million)

- mainly reflecting higher core net income
- recorded foreign exchange gains in 2016 compared to losses in 2015

Consolidated net sales up 4% to Rupiah 66.8 trillion (US$5.0 billion) from Rupiah 64.1 trillion (US$4.8 billion)

- driven by higher sales contributions from Consumer Branded Products ("CBP"), Agribusiness and Distribution groups, partly offset by a decrease at Bogasari group
- sales contribution from CBP, Bogasari, Agribusiness and Distribution groups amounted to 51%, 22%, 19% and 8% of the total, respectively

Gross profit margin to 29.1% from 26.9%

- mainly due to lower growth in cost of goods sold versus sales growth

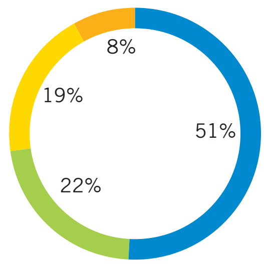
Consolidated operating expenses up 8% to Rupiah 11.2 trillion (US$840.7 million) from Rupiah 10.4 trillion (US$773.3 million)

- mainly due to higher salaries, wages and employee benefits and advertising and promotion expenses

EBIT margin to 12.4% from 11.5%

Net gearing at 0.21 times at the end of 2016 from 0.34 times

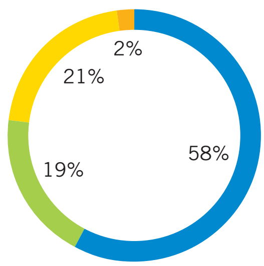
Turnover 2016*



	US$ millions
CBP	2,545.4
Bogasari	1,127.2
Agribusiness	937.5
Distribution	400.4
Total	**5,010.5**

* After inter-segment elimination

Operating Profit 2016



	US$ millions
CBP	353.2
Bogasari	114.0
Agribusiness	125.2
Distribution	13.3
Total	**605.7**

Debt Profile

As at 31 December 2016, Indofood recorded gross debt of Rupiah 22.4 trillion (US$1.7 billion), down 19% from Rupiah 27.6 trillion (US$2.0 billion) as at 31 December 2015. Of this total, 47% matures within one year and the remainder matures between 2018 and 2027, while 63% was denominated in rupiah and the remaining 37% was denominated in foreign currencies.

Additional Investment and Asset Divestment

On 29 February 2016, PT Wushan Hijau Lestari, a 65%-owned subsidiary of PT Perusahaan Perkebunan London Sumatra Indonesia Tbk ("Lonsum"), acquired a 100% interest in PT Pasir Luhur ("PL") for a total consideration of Rupiah 55 billion (US$4.1 million). PL owns approximately 900 hectares of tea plantation located at West Java, Indonesia.

On 16 December 2016, Indofood completed the disposal of its 82.88% interest in China Minzhong Food Corporation Limited ("CMZ") to Marvellous Glory Holdings Limited ("Marvellous BVI") for a total consideration of S$651.9 million (US$455.6 million), comprising cash of S$416.4 million (US$291.0 million) and mandatory exchangeable bonds of S$235.5 million (US$164.6 million). In February 2017, Indofood had fully exchanged the exchangeable bonds to approximately 29.94% of CMZ.

CBP

The CBP group comprises the Noodles, Dairy, Snack Foods, Food Seasonings, Nutrition & Special Foods and Beverages divisions. It produces and markets a wide range of food and beverage products across Indonesia, and export some products to international markets.

Indofood's Noodles division is one of the world's largest producers of instant noodles with annual production capacity of over 18 billion packs, offering instant bag noodles, instant cup noodles, egg noodles, mug noodles and snack noodles.

Its Dairy division has an annual production capacity of more than 600,000 tonnes, and is one of the largest dairy products manufacturers in Indonesia, producing sweetened condensed milk, creamer, UHT milk, sterilized bottled milk, pasteurized liquid milk, lactic acid beverages, powdered milk, ice cream and butter.

The Snack Foods division has an annual production capacity of over 45,000 tonnes, producing modern and traditional snacks including potato, cassava, soybean and sweet potato chips, as well as extruded snacks, crackers and a wide range of biscuits.

The Food Seasonings division has an annual production capacity of around 135,000 tonnes, manufacturing a wide range of culinary products, including instant seasonings, soy sauces, chili sauces, tomato sauces, cordial syrup and instant porridge.

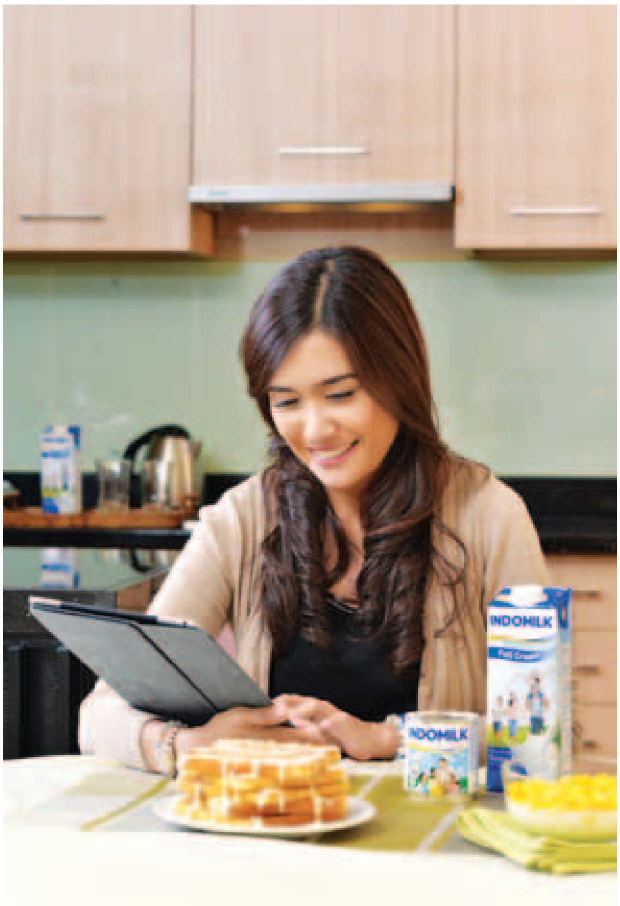
The Nutrition & Special Foods division has an annual production capacity of around 25,000 tonnes, producing cereals, biscuits and puddings for infants and children, cereal snacks for children, and milk for expectant and lactating mothers.

The Beverages division's product portfolio includes ready-to-drink teas, ready-to-drink coffees, packaged water, carbonated soft drinks, energy drinks, and fruit-flavored drinks with a combined annual production capacity of around 3 billion liters.

Sales by the CBP group rose 7% to Rupiah 34.1 trillion (US$2.6 billion), driven by higher volumes and average selling prices.

The EBIT margin improved to 14.2% from 12.2% primarily due to improved margins at Noodles, Dairy, Snack Foods and the Nutrition & Special Foods divisions.

Overall market conditions in 2016 were better than the previous year, with higher demand for most fast-moving consumer goods. Indofood is increasing its production capacity for some of its key categories and expanding its product portfolio to meet market demand.



Indofood

Bogasari

Bogasari produces wheat flour and pasta for domestic and international markets. Its sales declined 1% to Rupiah 18.9 trillion (US$1.4 billion) as an average 4% decline in prices offset a 3% growth in sales volume. The EBIT margin increased to 8% from 7% owing to lower wheat prices.

The growth of the flour industry in Indonesia has been steady over the last few years in line with development of the flour-based industry and an increasing preference by younger people for flour-based foods. Per-capita flour consumption is expected to rise steadily in the medium term.

Agribusiness

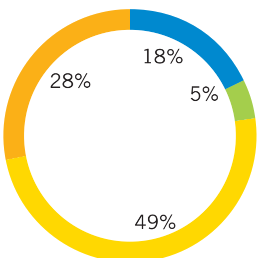
The diversified and vertically integrated Agribusiness group consists of two divisions: Plantations and Edible Oils & Fats ("EOF"), which operate through IndoAgri and its main operating subsidiaries, PT Salim Ivomas Pratama Tbk ("SIMP") and Lonsum in Indonesia. The Agribusiness group is one of Indonesia's largest palm oil producers with leading businesses in branded edible oils and fats. It also has equity investments in sugar production in Companhia Mineira de Açúcar e Álcool Participacoes ("CMAA") in Brazil and in RHI in the Philippines.

Agribusiness sales increased 5% to Rupiah 14.5 trillion (US$1.1 billion), reflecting stronger CPO and palm kernel prices despite lower production, and higher sales of edible oils and fats. The EBIT margin improved to 11.9% from 10.9%. Sales volume of CPO and palm kernel related products declined 16% to approximately 826,000 tonnes and 194,000 tonnes respectively, sugar declined 2% to approximately 66,000 tonnes and rubber declined 20% to approximately 12,800 tonnes.

Plantations

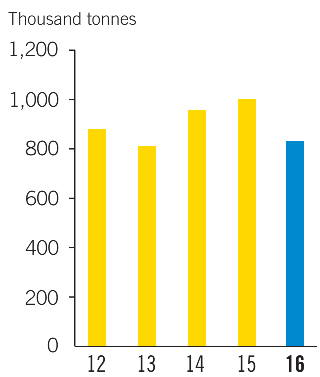
SIMP and Lonsum have a total planted area of 300,536 hectares of which oil palm accounts for 82% while rubber, sugar cane, timber, cocoa and tea account for the remaining 18%. Around 23% of oil palms are younger than seven years while overall, the oil palms have an average age of approximately 14 years. This division has a total annual processing capacity of 6.4 million tonnes of fresh fruit bunches ("FFB"). In 2016, crude palm oil ("CPO") production decreased 17% to 833,000 tonnes due to the impact of the severe El Niño in 2015. As at 31 December 2016, RSPO and ISPO certified CPO production were approximately 388,000 tonnes and approximately 255,000 tonnes, respectively.

Age Profile of Oil Palm Plantations



	Hectares
Immature areas	43,929
4-6 years	11,557
7-20 years	121,318
Above 20 years	70,626
Total	**247,430**

CPO Production



In Indonesia, total planted area of sugar cane remained at 13,249 hectares, sugar production declined 5% to approximately 64,600 tonnes due to high rainfall in 2016 affecting harvesting operations. However, the downstream EOF operation recorded strong sales volume growth, due to increased consumption of branded products in the Indonesian market.

In Brazil, the planted area of sugar cane increased 2% to 53,826 hectares. IndoAgri's 50% share of CMAA's loss reduced 81% to Rupiah 33 billion (US$2.5 million) reflecting CMAA's improved performance as a result of higher sugar and ethanol prices.

EOF

This division manufactures cooking oils, margarines and shortenings with an annual refinery capacity of 1.4 million tonnes of CPO. Approximately 61% of this division's input needs are sourced from the Plantations division's CPO production.

The outlook for the agribusiness remains optimistic with continuing growth in domestic consumption in Indonesia. It will place a stronger emphasis on extracting the optimum from its value chain, and proactively improve operations, increase yields, raise productivity and control costs.

Distribution

The Distribution group is a major component of Indofood's Total Food Solutions chain of operations as it has one of the most extensive distribution network in Indonesia.

Distribution's sales rose 7% to Rupiah 5.3 trillion (US$400.4 million) mainly benefiting from higher sales by CBP businesses. The EBIT margin slightly declined to 3.3% from 3.5%.

The Distribution group continues to strengthen its distribution network serving over 500,000 registered retail outlets in Indonesia for increasing Indofood's product penetration and high product availability in retail outlets, as well as offering product distribution for external customers.

2017 Outlook

Continuing economic growth with modest inflation in 2017 will be the main factor in a steady increase in domestic private consumption in Indonesia. Potential increase in commodity prices may further boost economic growth. The improvement in the domestic macroeconomic situation and higher commodity prices, in particular CPO, combined with sound strategies will enhance Indofood's performance.

METRO PACIFIC INVESTMENTS

PROFIT CONTRIBUTION
US$117.2 million

MPIC's infrastructure portfolio as at 28 March 2017 comprises the following assets offering a wide range of services:

Power distribution and generation

- 75.0% in Beacon Electric Assets Holdings, Inc. ("Beacon Electric") which owns 34.96% of Manila Electric Company ("Meralco") and 100% in Beacon PowerGen Holdings Inc, ("Beacon PowerGen") which in turn owns 56.0% of Global Business Power Corporation ("GBPC")
- 15.0% in Meralco

Water production, distribution and sewage management

- 52.8% in Maynilad Water Services, Inc. ("Maynilad")
- 100.0% in MetroPac Water Investments Corporation ("MWIC") which through its subsidiary owns 80.0% of Metro Iloilo Bulk Water Supply Corporation ("MIBWSC"), and owns 65.0% in ESTII

Toll roads

- 99.9% in MPTC which in turn owns:
  - 75.6% in NLEX Corporation (formerly Manila North Tollways Corporation)
  - 60.0% in Tollways Management Corporation ("TMC")
  - 100.0% in Cavitex Infrastructure Corporation ("CIC")
  - 100.0% in MPCALA Holdings, Inc. ("MPCALA")
  - 100.0% in Cebu Cordova Link Expressway Corporation ("CCLEC")
  - 44.9% in CII Bridges and Roads Investment Joint Stock Co. ("CII B&R") in Vietnam
  - 29.45% in Don Muang Tollway Public Company Limited ("DMT") in Thailand

Hospitals

- 60.1% interest in Metro Pacific Hospital Holdings, Inc. ("MPHHI") which in turn owns:
  - 100.0% in Colinas Verdes Hospital Managers Corporation, the operator of Cardinal Santos Medical Center ("CSMC")
  - 100.0% in East Manila Hospital Managers Corporation, the operator of Our Lady of Lourdes Hospital ("OLLH")
  - 100.0% in Metro Pacific Zamboanga Hospital Corporation, the operator of West Metro Medical Center ("WMMC")
  - 93.1% in Marikina Valley Medical Center Inc. ("MVMC")
  - 85.6% in Asian Hospital, Inc. ("AHI") which owns 100.0% of Asian Hospital and Medical Center
  - 78.0% in Riverside Medical Center, Inc. ("RMCI")
  - 65.0% in Delgado Clinic Inc. ("DCI"), the owner and operator of the Dr. Jesus C. Delgado Memorial Hospital ("JDMH")
  - 51.0% in Central Luzon Doctors' Hospital Inc. ("CLDH")
  - 51.0% in De Los Santos Medical Center Inc. ("DLSMC")
  - 51.0% in Sacred Heart Hospital of Malolos Inc. ("SHHM")
  - 50.0% in Metro Sanitas Corporation, owner of 51.0% of The Megaclinic, Inc. ("Megaclinic")
  - 35.2% in Davao Doctors Hospital, Inc. ("DDH")
  - 33.0% in Medical Doctors, Inc. ("MDI"), owner and operator of Makati Medical Center
  - 20.0% in Manila Medical Services Inc. ("MMSI"), owner and operator of Manila Doctors Hospital ("MDH")

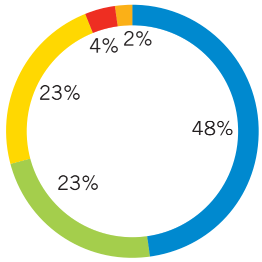
Rail

- 100.0% in Metro Pacific Light Rail Corporation which in turn owns 55.0% in Light Rail Manila Corporation ("LRMC"), the operator of Light Rail Transit 1 ("LRT1")

Logistics

- 100.0% in MetroPac Logistics Company, Inc. which in turn owns 76.0% of MetroPac Movers, Inc. ("MMI")

Contribution from Operations 2016



	US$ millions
Power	151.6
Water	74.8
Toll Roads	73.8
Hospitals	12.4
Rail and others	4.9
Total	**317.5**

MPIC's contribution to the Group decreased 1% to US$117.2 million (2015: US$118.2 million), reflecting a lower average economic shareholding in MPIC to 46.4% from 52.4% in 2015, a lower contribution from Maynilad due to the expiration of an income tax holiday, higher MPIC financing costs and a 4% depreciation of the average peso exchange rate against the U.S. dollar, partly offset by higher contributions from its power, toll roads, hospital and rail businesses.

Consolidated core net income up 17% to Pesos 12.1 billion (US$254.0 million) from Pesos 10.3 billion (US$226.8 million)	■ reflecting strong growth at all of MPIC's operating companies, except Maynilad due to the expiration of its income tax holiday ■ power, water, toll roads, hospitals, and rail and others accounted for 48%, 24%, 23%, 4% and 1%, respectively, of MPIC's consolidated profit contribution from operations ■ a 59% increase in contribution from Meralco, GBPC and Beacon Electric to Pesos 7.2 billion (US$151.6 million), a higher average shareholding in Meralco, a higher core net income from Meralco, lower interest expenses at Beacon Electric, seven months of contribution from GBPC, and higher preferred share dividend income from Beacon Electric ■ a 26% decline in contribution from Maynilad to Pesos 3.6 billion (US$74.8 million) despite an increases in billed volume and average effective tariff, mainly due to higher tax expense driven by the expiration of Maynilad's income tax holiday in December 2015 and higher water treatment expenses ■ a 24% rise in contribution from MPTC and DMT to Pesos 3.5 billion (US$73.8 million) reflecting strong traffic growth, a full year contribution from Subic Clark Tarlac Expressway ("SCTEX") and lower interest expenses ■ a 25% increase in contribution from Hospitals to Pesos 589 million (US$12.4 million) reflecting contributions from three newly-acquired hospitals and higher contributions from existing hospitals ■ a 5.7 times increase in contribution from light rail to Pesos 273 million (US$5.7 million) reflecting a full year contribution and a higher average daily ridership ■ partly offset by higher MPIC head office interest expenses
Consolidated reported net income up 20% to Pesos 11.5 billion (US$240.3 million) from Pesos 9.5 billion (US$209.3 million)	■ due largely to a higher core net income ■ an increase in foreign exchange gains ■ while the net non-recurring expense for 2016 was mainly related to the impairment losses on investment in Landco and recognized by Meralco on its investment in PLP, project expenses were broadly the same as in 2015
Revenues up 20% to Pesos 44.8 billion (US$940.2 million) from Pesos 37.2 billion (US$816.5 million)	■ reflecting revenue growth at all operating companies

Debt Profile

As at 31 December 2016, MPIC reported consolidated debt of Pesos 97.0 billion (US$2.0 billion), up 11% from Pesos 87.6 billion (US$1.9 billion) as at 31 December 2015. Of the total, 94% was denominated in pesos. Fixed-rate loans accounted for 94% of the total and the average pre-tax interest cost was approximately 5.8%.

Dividend

MPIC's Board of Directors declared a final dividend of Peso 0.068 (U.S. 0.14 cent) per share payable on 26 April 2017 to shareholders on record as at 30 March 2017, 11% higher than the final dividend in 2015. Together with the interim dividend of Peso 0.032 (U.S. 0.067 cent) per share paid on 26 September 2016, total dividends for 2016 rose 8% to Peso 0.1 (U.S. 0.21 cent) per share, representing a payout ratio of 25% of core net income.

Additional Investments

On 7 March 2016, MPHHI completed the acquisition of a 51.0% interest in SHHM for a total consideration of Pesos 150 million (US$3.2 million). SHHM has employed the funds paid by MPHHI for increasing its bed capacity and enhancing medical facilities.

On 5 May 2016, MWIC signed a joint venture agreement with the Metro Iloilo Water District for the supply of bulk treated water and the rehabilitation, expansion, operation and maintenance of certain water facilities, with an estimated project cost of Pesos 2.8 billion (US$56.3 million). On 5 July 2016, MIBWSC commenced its operation.

On 19 May 2016, MMI acquired the business and assets of a group of logistics services providers for a consideration of Pesos 2.2 billion (US$46.1 million).

On 27 May 2016, Beacon Electric, through its wholly-owned entity, Beacon PowerGen acquired a 56.0% interest in GBPC for a total consideration of Pesos 22.1 billion (US$463.6 million) of which half was paid in cash and the remaining half in vendor finance was settled through a 10-year fixed interest rate peso denominated loan.

On 30 May 2016, MPIC acquired an additional 25.0% interest in Beacon Electric from PLDT's subsidiary PCEV for a consideration of Pesos 26.2 billion (US$549.6 million). MPIC has paid Pesos 17.0 billion (US$356.6 million) in cash to PCEV upfront and the balance of Pesos 9.2 billion (US$193.0 million) to be settled in annual installments until June 2020.

On 16 June 2016, MWIC acquired a 65.0% interest in ESTII for a total consideration of Pesos 1.8 billion (US$38.3 million). ESTII's core businesses are related to wastewater and sewage treatment plant facilities.

On 29 July 2016, MPHHI completed the acquisition of a 93.1% interest in MVMC for a total consideration of Pesos 993 million (US$20.8 million). MVMC is a prominent tertiary hospital in Marikina with 140 beds, its newly built 7-storey Medical Arts Building has 44 clinics for MVMC's more than 270 accredited doctors.

On 3 October 2016, CCLEC, Cebu City and Municipality of Cordova signed the concession agreement for the financing, design, construction, implementation, operation and maintenance of the Cebu Cordova Link Expressway ("CCLEX"). The estimated construction cost is expected to be about Pesos 27.9 billion (US$561.1 million). Groundbreaking for the project took place on 2 March 2017 and construction is expected to be completed by 2020.

On 23 November 2016, NLEX Corporation and the Republic of the Philippines acting through the Department of Public Works and Highways ("DPWH") signed the concession agreement for the design, financing, construction, operation and maintenance of the North Luzon Expressway–South Luzon Expressway ("NLEX-SLEX") Connector Road ("Connector Road"). The Connector Road is an eight-kilometer elevated toll expressway over the right of way of the Philippine National Railways connecting the NLEX to the SLEX. The construction is expected to start in 2018 and to complete in 2021, with an estimated cost of Pesos 21.8 billion (US$438.5 million).

On 24 January 2017, MMI, through its wholly-owned subsidiary PremierLogistics, Inc., signed an agreement to acquire certain logistics-related assets and businesses of Ace Logistics, Inc. for a consideration of Pesos 280 million (US$5.6 million). This transaction is expected to be completed by April 2017.

On 31 January 2017, MPHHI completed an agreement to invest approximately Pesos 134 million (US$2.7 million) of cash into DCI through a subscription to preferred shares representing approximately 65% of the total expanded capital stock of DCI. DCI is the owner and operator of the JDMH in Quezon City.

Equity Placement

On 27 May 2016, MPIC raised Pesos 22.0 billion (US$460.7 million) of new equity by placing 3.6 billion of new shares to GT Capital. The funds were primarily used for the acquisition of an additional 25% interest in Beacon Electric from PCEV and the acquisition of a 56.0% interest in GBPC by Beacon PowerGen. GT Capital also acquired another 1.3 billion shares of MPIC from MPHI which brings its economic interest in MPIC to 15.6%.

MPIC

Power

Meralco operates a franchise that runs until 2028 for electricity distribution to a region that produces over half of the Philippines' gross domestic product.

During 2016, MPIC added GBPC to its power generation portfolio through Beacon Electric. GBPC is a leading power producer in the Visayas region and Mindoro Island with current generation capacity of 854 megawatts, of which 70 megawatts is contracted to Meralco.

Meralco's operating performance was strong, driven by higher average temperatures, sustained strong economic growth, low inflation and low retail electricity prices. The volume of electricity sold rose 8% to 40,142 gigawatt hours, with residential, commercial and industrial demand recording 12%, 8% and 4% increases, respectively. Revenues flat at Pesos 257.2 billion (US$5.4 billion), reflecting lower average distribution rate and pass-through fuel charges eroded the positive impact of an 8% growth in energy sales and a 4% increase in number of customers. Capital expenditure up 1% to Pesos 11.4 billion (US$239.1 million) and system loss at record low of 6.35%.

Natural gas accounted for 42% of Meralco's total fuel sources, followed by coal at 38%. The remaining 20% included hydro, biomass, geothermal and natural gas sources.

Meralco PowerGen Corporation ("Meralco PowerGen"), Meralco's wholly-owned power generation subsidiary, is developing several power projects in the Philippines with a total planned capacity of over 3,000 megawatts through San Buenaventura Power, Redondo Peninsula Energy, Atimonan One Energy, St. Raphael Power and Mariveles Power Generation Corporation. It also has investments in GBPC's power assets and the PLP power plant in Singapore.

Water

Maynilad is the biggest water utility in the Philippines. It operates a concession that runs until 2037 for water distribution and sewerage services for the West Zone of Metro Manila.

During 2016, Maynilad's average non-revenue water fell to 29.9% from 31.0%. Revenues rose 6% to Pesos 20.2 billion (US$424.3 million), reflecting a 4% increase in billed water volume to 499 million cubic meters, a 4% increase in billed customers to 1.3 million and a 2% increase in the average tariff due to inflationary adjustment. Core income declined 26% to Pesos 7.2 billion (US$151.0 million), resulting from the expiration of an income tax holiday and higher water treatment expenses.

Maynilad's water tariff under the rate rebasing for the period from 2013 to 2017 received a favorable award in arbitration proceedings on 29 December 2014. However, the Metropolitan Waterworks and Sewerage System ("MWSS") of the Philippines has not yet acted on the arbitration award. The final hearing for the arbitration was completed in December 2016 and final judgement is expected in the first half of 2017. Despite the delay in the tariff increase it is entitled to, Maynilad remains committed to enhance its services through installing new water pipes, expanding distribution lines and increasing drinking water supply and sewerage coverage. In 2016, capital expenditure up 19% to Pesos 9.5 billion (US$199.3 million).

MWIC extended its bulk water supply services in Cebu, Laguna and Iloilo, amounted to 150 million liters of water per day. The investments in ESTII allows MPIC to diversify its water-related investment and invest in the high-growth wastewater engineering procurement and construction ("EPC") and operations and maintenance ("O&M") market. As at year-end 2016, ESTII has 109 recurring contracts for sewerage treatment services and 115 ongoing sewerage treatment plant construction projects.

Toll Roads

MPTC operates NLEX, Manila-Cavitex Toll Expressway ("CAVITEX"), SCTEX and the Subic Freeport Expressway in the Philippines, and has investments in DMT in Thailand and CII B&R in Vietnam.

In 2016, revenues rose 23% to Pesos 11.9 billion (US$249.7 million), reflecting strong traffic growth and a full year contribution from SCTEX.

Capital expenditure increased 34% to Pesos 8.9 billion (US$186.7 million) mainly reflecting the cost of integrating SCTEX with NLEX, and Segments 2 and 3 of the NLEX road widening project. In the Philippines, the construction of Segment 10 of the NLEX Harbour Link is expected to be completed in early 2018, while completion is expected in 2020 for CAVITEX C5 South Link, CALAX and CCLEX, and in 2021 for NLEX-SLEX Connector Road and NLEX Citi Link.

The entitled tariff adjustments for NLEX, CAVITEX and SCTEX remain unresolved with the regulator. The delay since 2012 has hurt MPTC's ability to finance its road construction projects.

Hospitals

MPIC's Hospital group comprises 13 full-service hospitals and MegaClinic, a mall-based diagnostic and surgical center, and has indirect ownership in two healthcare colleges in Davao and Bacolod. MPIC is the largest private provider of premier hospital services in the Philippines with approximately 2,900 beds.

Revenues rose 29% to Pesos 19.6 billion (US$411.2 million), reflecting contributions from three newly-acquired hospitals and higher contributions from existing hospitals. The number of out-patients rose 35% to 2.7 million and in-patients rose 26% to 160,581.

The Hospital division plans to expand its portfolio to over 5,000 beds and aims to enhance healthcare services by the implementation of synergies across its hospital network, expanding capacity and upgrading facilities, establishing a central laboratory and specialty healthcare facilities.

Rail

LRMC commenced operation of LRT1, its first rail project, in September 2015, in a concession which runs until 2047. In 2016, it recorded revenues of Pesos 3.0 billion (US$63.3 million) reflecting a full-year contribution from LRT1 and a 5% growth in LRT1's average daily ridership to 409,412.

In February 2016, LRMC signed a Pesos 24.0 billion (US$503.5 million) loan facility for the LRT1 project, of which Peso 15.3 billion (US$321.0 million) is for the construction of the Cavite Extension while the remaining is for the rehabilitation of the existing LRT1 system. Since takeover in September 2015, 23 light rail vehicles ("LRVs") were restored which increased the total number of LRVs in operation to 100.

Projects for rail replacement, lining and leveling are progressing as scheduled and are expected to be completed by 2017. Other enhancement projects involve improvements for stations and depots and the unification of the central station. The Cavite Extension project has secured financing and is pending for the Grantor's delivery of the right of way.

2017 Outlook

Strong economic growth is expected to continue, driven in part by increasing household incomes. Greater spending power by consumers will continue to drive volume growth in all of MPIC's major areas of business from toll roads to healthcare. However, while tariff disputes with regulators remain unresolved, it is difficult to reliably forecast financial and operating results.

FPW / goodman fielder

our homegrown food company

PROFIT CONTRIBUTION

US$24.0 million

FPW contributed a normalized profit of US$24.0 million to the Group (2015: US$13.3 million). The 80% increase in profit contribution reflected a full year of contribution versus nine months in 2015, higher contribution from the Australian Grocery and Baking, New Zealand Baking and China divisions, partly offset by a lower contribution from the Papua New Guinea business and the costs associated with short term incentives and the implementation of a long-term management incentive scheme.

For 2016, Goodman Fielder recorded core net income of A$67.6 million (US$50.2 million), sales of A$2.0 billion (US$1.5 billion) and normalized EBIT of A$135.0 million (US$100.2 million). Capital expenditure was reduced by 4%.

International Business

Sales from the international business rose 2% reflecting strong volume growth in most markets mostly offset by lower average selling prices in the dairy and flour products, and a weaker performance in Papua New Guinea due to operational issues and the depreciation of the Papua New Guinean Kina and the Renminbi against the U.S. dollar.

In Papua New Guinea, Goodman Fielder maintained a strong market position in the flour and snack categories. Sales volumes of flour, stock feed and snacks increased 1%, 8% and 36%, respectively. SKEL rice introduced in the fourth quarter of 2016 was well received in the market.

In Fiji, overall volume growth is 8%. Sales grew by 11% in 2016 with regular new product development for poultry and ice cream being favorably received in the market. Capital investment and operational improvements are underway to bolster operating performance and position the business for future growth.

Expanded milk production facilities enable Goodman Fielder to capture a growing share of the high demand for dairy products in international markets. Export volumes of its Meadow Fresh UHT milk to Southeast Asia rose approximately 100% during 2016. Sales volume in China (including North Asia) of UHT milk rose 21% to 20.1 million liters. Goodman Fielder also introduced whipping cream to the Chinese market in 2016. In the markets of Papua New Guinea, Fiji and New Caledonia, total sales volumes of UHT milk grew from 0.6 million liters to 4.3 million liters.

In addition to UHT milk, Goodman Fielder aims to increase exports of dairy cream, yoghurt, butter and cheese products to the food service and retail markets across China and Southeast Asia and Pacific.

New Zealand Business

The dairy business, including Puhoi Valley premium organic milk and flavored milk, Fresh Beverages and Everyday Cheese, sustained strong growth in 2016. Sales for New Zealand declined 1% reflecting a slightly weaker performance for the baking and dairy businesses, partly offset by improvement in the grocery business.

In 2016, Goodman Fielder's specialty cheese products received notable industry awards, with Puhoi Valley Kawau Blue named the best cheese at the New Zealand Champion of Cheese awards. Puhoi Valley also won the washed rind cheese category with their cellar range washed rind receiving a perfect score of 100 from the judges and Puhoi Valley's Fresh Goat cheese was the first goat cheese to win the Champion Export Cheese Award.

The expanded UHT milk facility at Christchurch increased Goodman Fielder's efficiency and production capacity, while the margin of its dairy products improved to 39.4% from 39.0%. The New Zealand business implemented cost-out initiatives for Operations, Supply Chain and Commercial departments.

Australia Business

In Australia, Goodman Fielder's branded products under Meadow Lea, Praise, White Wings, Pampas, Helga's, Wonder White, Vogel's, Meadow Fresh, Edmonds and Irvines labels remain popular with strong market share in the local market.

Sales of local business declined 2% to A$858.6 million (US$637.4 million) reflecting weaker baking business offset by growth in the grocery business. New logistics arrangements reduced total logistics costs by approximately 10%. In 2016, Goodman Fielder launched a wide range of new products, including White Wings' "Cake in a Cup", new Praise Deli dressings and mayo range, Wonder Smooth Whole Grain bread, Coles loaf HI-TOP range and Helga's Gluten free wholemeal bread.

The optimization plan for bread manufacturing facilities commenced in 2016 with initiatives set to continue in 2017, including closure of one baking facility in Perth and another two in Brisbane. The total number of baking production plants is expected to be reduced by three to 11.

Debt Profile

As at 31 December 2016, Goodman Fielder's net debt stood at A$512.5 million (US$369.0 million) with maturity ranging from 2017 to 2020, and 32% of total borrowings were at a fixed rate. Fixed-rate borrowings denominated in U.S. dollars and hedged to A$167.9 million. Australian dollar and New Zealand dollar floating-rate borrowings are funded by a diverse panel of domestic and international banks. Interest expense in 2016 was A$34.5 million (US$25.6 million).

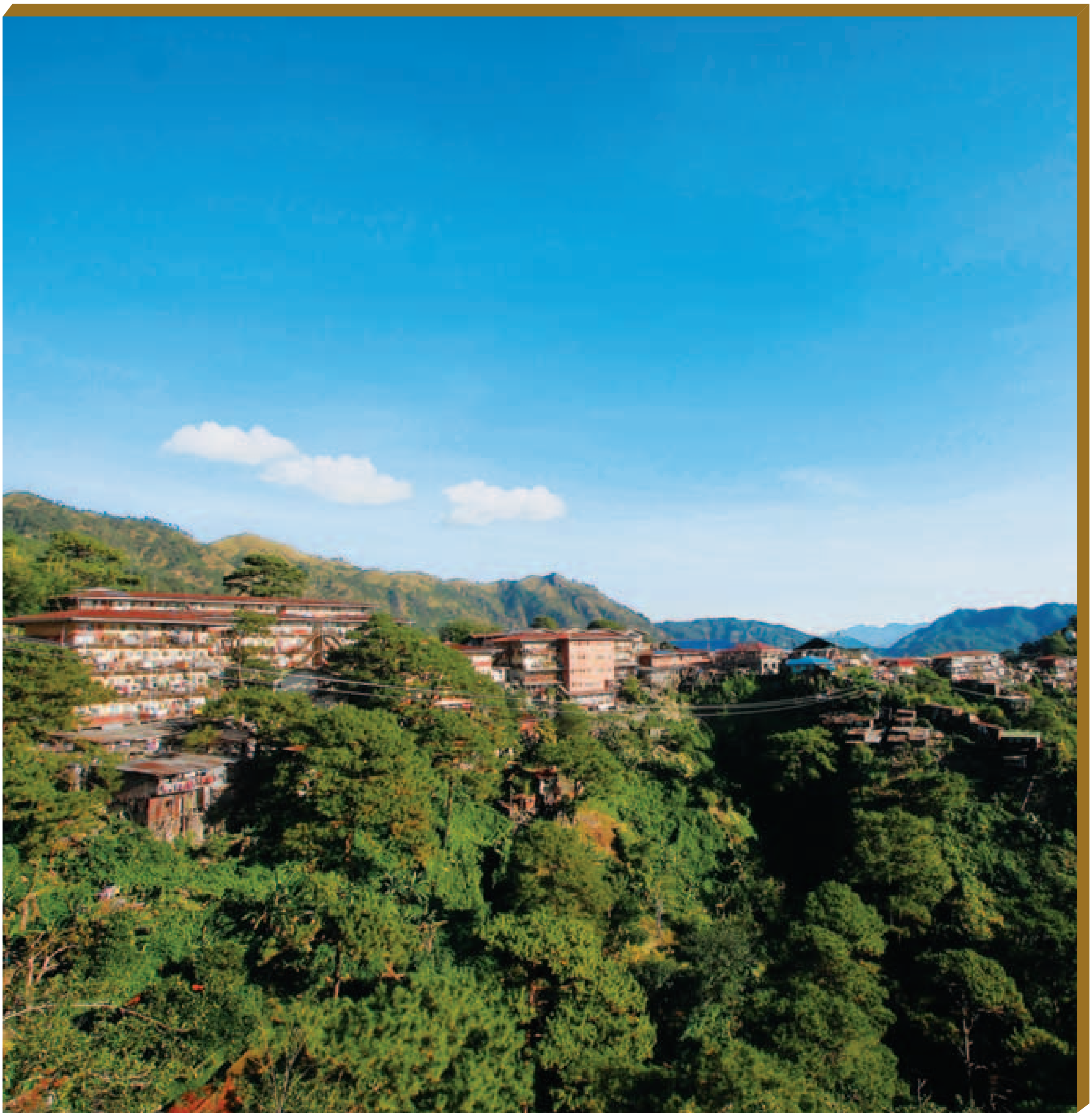
2017 Outlook

Healthy economic growth in most of Goodman Fielder's markets suggests sanguine conditions for sales and earnings growth across the Australia, New Zealand and International businesses. Smaller markets in ASEAN will receive greater attention from Goodman Fielder export sales while local manufacturing operations in Papua New Guinea, Fiji and New Caledonia will see a boost to profitability stemming from improved management and cost controls.

PHILEX MINING CORPORATION

PROFIT CONTRIBUTION

US$10.2 million



Philex's natural resources portfolio as at 28 March 2017 comprises:

Philex for metal-related assets

- 100% in Padcal mine
- 100% in Silangan Mindanao Exploration Co., Inc. ("SMECI")
- 100% in Silangan Mindanao Mining Co., Inc.
- 100% in Philex Gold Philippines, Inc.
- 99.0% in Lascogon Mining Corporation
- 5% in Kalayaan Copper Gold Resources, Inc.

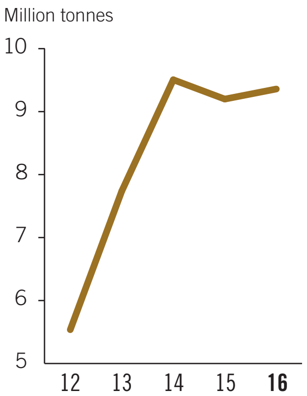
PXP Energy Corporation ("PXP")*, formerly Philex Petroleum Corporation, for energy- and hydrocarbon-related assets

- 53.4% in Pitkin Petroleum Limited which owns oil and gas exploration assets in Peru Block Z-38
- 73.9%† in Forum Energy Limited ("Forum") which owns 70.0% of Service Contract ("SC") 72, and a 2.3% interest in the Galoc oil field (SC 14C-1) which is in the production stage, both of these assets are located in the West Philippine Sea
- 50.0% in SC 75 and 70.0% in SC 74, both located in Northwest Palawan

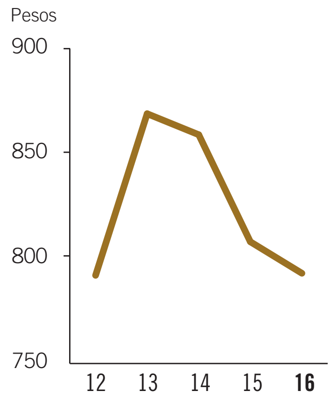
* 19.8% held by Philex, 25.0% held by First Pacific and 7.7% held by Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific.
† 69.5% held directly by PXP and 8.0% held by PXP's 55.0%-owned Canadian subsidiary FEC Resources, Inc., for a total effective interest of 73.9% held by PXP. In addition, 1.5% held directly by First Pacific.

Philex

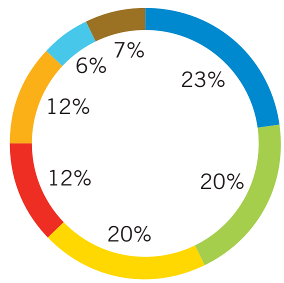
Ore Milled



Operating Cost Per Tonne of Ore Milled

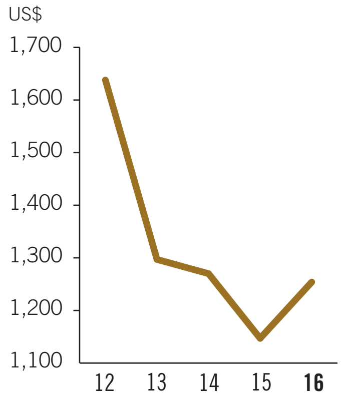


Operating Cost Per Tonne of Ore Milled

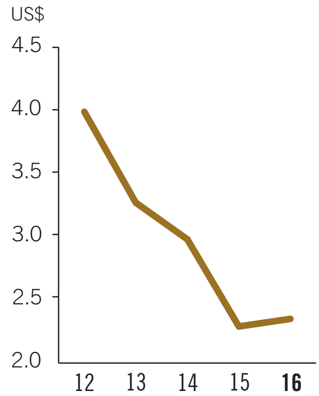


	Pesos per tonne
Materials and supplies	180
Power	157
Depreciation and amortization	156
Labor	95
Smelting charges	95
Excise tax and royalties	48
Others	62
Total	**793**

Average Gold Price Per Ounce



Average Copper Price Per Pound



Philex's contribution to the Group increased 108% to US$10.2 million (2015: US$4.9 million) on the strength of lower production costs and operating expenses, as well as higher gold and copper prices. These positive factors were partly offset by a lower volume of gold sold due to lower gold grades. The average realized price for gold rose 9% to US$1,254 per ounce, while the average realized copper price rose 3% to US$2.35 per pound.

Total ore milled increased 2% to 9.4 million tonnes, driven primarily by more operating days, with an average grade of 0.417 grams per tonne of gold (2015: 0.438 grams per tonne) and 0.206% copper (2015: 0.205%). Gold production fell 4% to 103,304 ounces due to lower gold grades, while copper production rose 3% to 35.0 million pounds as a result of higher tonnage milled.

During 2016, Philex repaid US$8.5 million of outstanding debts. As at 31 December 2016, it had Pesos 458 million (US$9.2million) of cash and cash equivalents and Pesos 9.7 billion (US$194.6 million) of borrowings comprising convertible notes issued by SMECI and short-term bank loans.

Core net income up 83% to Pesos 1.7 billion (US$34.8 million) from Pesos 905 million (US$19.8 million)	■ reflecting higher gold and copper prices ■ lower operating costs and expenses through efficiency and cost management initiatives
Net income up 77% to Pesos 1.6 billion (US$33.3 million) from Pesos 896 million (US$19.6 million)	■ reflecting higher core net income
Revenue up 12% to Pesos 10.3 billion (US$216.1 million) from Pesos 9.2 billion (US$201.7 million)	■ reflecting higher metal prices and favorable foreign exchange rate ■ higher output of copper resulting from higher total ore milled ■ partly offset by lower output of gold due to lower gold grades ■ revenues from gold, copper and silver contributed 60%, 39% and 1% of the total, respectively
EBITDA up 39% to Pesos 3.9 billion (US$81.8 million) from Pesos 2.8 billion (US$61.4 million)	■ reflecting higher revenue and lower operating expenses through efficiency and cost management initiatives
Operating cost per tonne of ore milled down 2% to Pesos 793 (US$16.6) from Pesos 808 (US$17.7)	■ arising from lower renegotiated power rates and implementation of efficiency and cost management initiatives
Capital expenditure (including exploration costs) down 39% to Pesos 2.4 billion (US$50.3 million) from Pesos 3.9 billion (US$85.5 million)	■ reflecting lower capital expenditure for the Silangan project due to the near completion of the capital-intensive phase of the feasibility study

The mine life of Philex's major operating metal asset Padcal mine was extended to 2022 in October 2015 with additional resources and reserves declared.

Dividends

Property Dividend

On 29 February 2016, Philex's Board of Directors approved a property dividend of record as at 15 March 2016, in which every 100 shares of Philex was entitled to receive 17 shares of PXP. Philex's registered shareholders in the U.S. received the equivalent property dividend in the form of cash. The property dividend distribution was completed on 15 July 2016, with Philex's shareholding in PXP declining from 64.7% to 19.8%, and First Pacific and its Philippine affiliate Two Rivers Pacific Holdings Corporation's economic interest increasing to 25.0% and 7.7%, respectively.

Cash Dividends

Given the significantly improved results, Philex's Board of Directors declared a final dividend of Peso 0.04 (U.S. 0.080 cent) per share payable on 27 March 2017 to shareholders on record as at 14 March 2017. Together with the interim dividend of Peso 0.03 (U.S. 0.063 cent) per share paid on 24 August 2016, total cash dividends for 2016 amounted to Peso 0.07 (U.S. 0.143 cent) per share, representing a payout ratio of 21% of core net income.

Silangan Project

The gold copper mine development project is located in Surigao del Norte, Northeastern Mindanao in the Philippines. The project has secured from the Department of Environment and Natural Resources ("DENR") and currently maintains all major permits including environmental compliance certification ("ECC") for surface mining, a tree-cutting permit and approval by DENR of the amended Declaration of Mining Project Feasibility for surface mining. The project's definitive feasibility study is expected to be completed in 2017. The project has not yet commenced operation, meanwhile community development and environment enhancement programs are continuing in compliance to the ECC conditions and in continuing to strengthen the support from the local communities.

On 14 February 2017 and 24 February 2017, Philex disclosed its responses to DENR's show cause order to the PSE that the Mineral Production Sharing Agreements ("MPSAs") of Silangan project and four tenements of its other subsidiary, Philex Gold Philippines, Inc. are valid and legal, and are not located in proclaimed watershed forest reserves or critical watersheds where mining is prohibited. The MPSAs are issued after securing all legal requirements and regulatory clearance. Philex is confident that its MPSAs can withstand any legal challenge.

Mineral Resources and Proved Reserves

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

	Padcal mine (As at 31 December 2016*)	Silangan project (As at 5 August 2011)	
		Boyongan	Bayugo
Resources (million tonnes)	222.5(i)	273(i)	125(i)
Gold (gram/tonne)	0.38	0.72	0.66
Copper (%/tonne)	0.21	0.52	0.66
Contained copper (thousand lbs)	1,016,600	3,120,000	1,820,000
Contained gold (ounces)	2,684,500	6,300,000	2,700,000
Copper equivalent(ii) cutoff (%)	0.332	–	–
Copper equivalent cutoff (%)		0.50	0.50
Proved reserves (million tonnes)	59.7		
Gold (gram/tonne)	0.41		
Copper (%/tonne)	0.20		
Recoverable copper (thousand lbs)	216,200		
Recoverable gold (ounces)	627,400		
Copper equivalent(ii) cutoff (%)	0.332		

* Based on the Competent Person's report disclosed in March 2017
(i) Measured and indicated
(ii) Copper equivalent = % copper + 0.66 x gram/tonne gold; Metal prices: US$2.75/lb copper, US$1,275/oz gold; Metal recoveries: 82% copper, 80% gold

PXP

In 2016, petroleum revenues declined 41% to Pesos 102 million (US$2.1 million) as a result of lower crude oil prices and lower output in the Galoc oil field. Costs fell 48% to Pesos 171 million (US$3.6 million) due to organizational restructuring and cost reduction initiatives.

SC 72

The property covered by SC 72 is located in the Reed Bank (Recto Bank) which lies within the Philippines' Exclusive Economic Zone ("EEZ"). Its second sub-phase of exploration activities is currently suspended due to a force majeure imposed since 15 December 2014.

On 12 July 2016, the Permanent Court of Arbitration made a favorable decision confirming that PXP's service contracts, particularly SC 72, are within the Philippine's EEZ. PXP, through Forum, will take guidance from the Philippine Government in respect of any future activity in SC 72 and other areas covered by the Tribunal's decision. Upon the lifting of the force majeure, Forum will have 20 months to drill two wells as required in SC 72 and will have 18 months to obtain 1,000 square kilometers of 3D seismic data as stated in SC 75.

SC 74 Linapacan Block, SC 75 Northwest Palawan, SC 14C-1 Galoc and SC 14C-2 West Linapacan in the Philippines and Peru Block Z-38 in Peru are in different stages of data processing and interpretation, and drilling preparation.

2017 Outlook

The current regulatory environment remains very challenging and largely dictates the pace and speed at which the development of the Silangan project will be pursued. In addition, production will be challenged by lower ore grades at the existing Padcal mine. Nonetheless, Philex will continue to pursue the completion of the Silangan project's definitive feasibility study in 2017 and continue exploring around the Padcal mine to further extend its mine life to beyond 2022, amid uncertainties in the local mining industry.

FPM Power / PacificLight

SHARE OF LOSS
US$13.9 million

First Pacific through a 60/40-owned entity with Meralco PowerGen holds a 70% interest in PLP. PLP is the first power plant in Singapore fully fueled by liquefied natural gas, equipped with efficient facilities for power generation. The plant's fuel is provided by BG Group under a long-term agreement through SLNG Terminal developed by the Singaporean Government.

First Pacific's share of FPM Power's loss widened by 29% to US$13.9 million, reflecting a lower contribution from the retail market due to a decline in the non-fuel margin of non-vesting generation, a longer outage of the plant for scheduled maintenance to a generator, three incidents of forced outages, and non-recognition of deferred tax credits arising from tax losses. In 2016, the plant's system availability was 94% despite a longer-than-expected outage for scheduled maintenance. The heat rate exceeded its target level by 1%.

In 2016, the volume of electricity sold rose 12% to 4,997 gigawatt hours, of which 95% was for retail, vesting contracts, contracts for difference and futures, and the remaining 5% for merchant market sales. PLP's generation market share for the year was approximately 9%.

Core net loss up 23% to S$88.0 million (US$63.7 million) from S$71.6 million (US$51.9 million)	■ reflecting a lower contribution from the retail and pool markets due to a decline in the non-fuel margin resulting from strong competition ■ a longer outage for regular plant maintenance and three incidents of forced outages ■ non-recognition of deferred tax credits arising from tax losses
Net loss up 29% to S$108.6 million (US$78.6 million) from S$84.1 million (US$61.0 million)	■ reflecting higher core net loss ■ higher foreign exchange losses on US$ denominated shareholders' loans ■ partly offset by a lower net provision for onerous contracts
Revenues down 13% to S$795.0 million (US$575.3 million) from S$915.0 million (US$663.5 million)	■ reflecting a lower average selling price per unit of electricity sold due to intense competition despite a higher volume of electricity generated and sold
Operating expenses up 5% to S$23.7 million (US$17.1 million) from S$22.6 million (US$16.4 million)	■ reflecting an absence of property tax savings in 2016 and higher information technology-related expenditure
EBITDA down 73% to S$4.8 million (US$3.5 million) from S$18.0 million (US$13.1 million)	■ reflecting a lower contribution from the retail and pool markets due to intense competition

Debt Profile

As at 31 December 2016, FPM Power's net debt stood at US$470.2 million while gross debt stood at US$521.7 million with 8% of debts maturing in 2017 and the remaining debts maturing from 2018 up to 2021. All of the borrowings were floating-rate bank loans, with 95% effectively changed to fixed rate borrowings through interest rate swap arrangements.

2017 Outlook

Competition in Singapore's power generation market is expected to remain strong in 2017 as a result of oversupply. PLP will continue developing its partnership with its gas supplier and leverage its efficiency advantage and operational flexibility to improve its performance. However, low crude oil prices will weigh on the price competitiveness of electricity providers fueled by liquefied natural gas owing to the disparate pricing mechanisms for piped natural gas and liquefied natural gas.

FP Natural Resources / RHi / First Coconut

SHARE OF LOSS
US$2.9 million

Disposal and Additional Investment

On 18 February 2016, FP Natural Resources sold its entire 14.8% interest in Victorias Milling Company, Inc. ("VMC") to VMC and LT Group in two transactions for a total consideration of approximately Pesos 2.2 billion (US$45.3 million). The proceeds raised were used to participate in RHI's rights issue and invest in FCMI.

On 18 May 2016, FP Natural Resources and its Philippine affiliate First Agri Holdings Corporation increased their economic interest in RHI to 59.7% from 50.8% for a consideration of Pesos 1.1 billion (US$23.1 million) by participating in RHI's rights issue at a price of Pesos 4.19 (U.S. 8 cents) per share.

On 1 February 2017, FP Natural Resources through its wholly-owned subsidiary, agreed to subscribe to approximately Pesos 524 million (US$10.5 million) of convertible note issued by RHI which can be converted to 125 million common shares of RHI at a price of Pesos 4.19 (U.S. 8 cents) per share. On 16 February 2017, FP Natural Resources submitted a notice to RHI for the conversion which is pending while awaiting approval from the Philippine Securities and Exchange Commission of the proposed increase in RHI's authorized share capital. Following the conversion, FP Natural Resources and its Philippine affiliate First Agri Holdings Corporation's aggregate economic interest in RHI will increase to 62.9% from 59.7%.

Review of Operations

First Pacific and its indirect agribusiness subsidiary IndoAgri, through a 70/30-owned entity FP Natural Resources and a Philippine affiliate have an aggregate 59.7% interest in RHI and 100.0% in FCMI.

During 2016, First Pacific's share of FP Natural Resources' loss narrowed 24% to US$2.9 million (2015: US$3.8 million). The loss principally reflected share of loss of US$3.2 million (2015: US$3.4 million) at FCMI while RHI recorded a profit contribution of US$0.6 million (2015: US$0.01 million).

RHI

Together with its associate Hawaiian-Philippine Company, Inc. ("HPC"), RHI is one of the largest raw sugar producers in the Philippines, accounting for 17% of the Philippines' raw sugar production. It has three sugar mills, one in Batangas and two in Negros Occidental, with combined milling capacity of 34,500 tonnes of sugar cane per day. Its refinery facility in Batangas has capacity of 18,000 Lkg per day (one Lkg is a unit of measure equal to one 50-kilogram bag of sugar). RHI also has two ethanol plants in Negros Occidental with daily production capacity of 285,000 liters.

During 2016, RHI sold 1.7 million Lkg (2015: 1.5 million Lkg) of refined sugar, 1.4 million Lkg (2015: 1.4 million Lkg) of raw sugar, 97,000 Lkg (2015: 289,000 Lkg) of premium raw sugar and 64.6 million liters (2015: 58.7 million liters) of ethanol in the Philippines.

FP Natural Resources / RHI / FCMI

Core net income up 130% to Pesos 129 million (US$2.7 million) from Pesos 56 million (US$1.2 million)	■ reflecting a 12% and 10% increase in sales volumes of refined sugar and ethanol, respectively, and higher average selling prices of all products ■ partly offset by higher cost of sugar cane resulting from continuing supply shortages of sugar cane in the Philippines, extended facility upgrades for ethanol, and higher interest expenses due to a higher debt level
Reported net income of Pesos 112 million (US$2.3 million) from a reported net loss of Pesos 119 million (US$2.6 million)	■ reflecting higher core net income ■ lower non-recurring expenses in 2016; 2015's expenses include tax expenses related to prior years, staff reduction and transaction costs for the acquisition of 93.7% of San Carlos Bioenergy, Inc. ("SCBI")
Revenue up 11% to Pesos 10.8 billion (US$227.3 million) from Pesos 9.7 billion (US$212.7 million)	■ mainly driven by improved sales volumes and higher average selling prices of refined sugar and ethanol
Operating expenses flat at Pesos 932 million (US$19.6 million)	■ reflecting cost-control initiatives and lower taxes ■ offset by the consolidation of SCBI's full-year operating expenses compared with eight months in 2015 and higher selling and distribution expenses in line with higher sales volumes of refined sugar and ethanol
EBITDA up 28% to Pesos 1.4 billion (US$29.4 million) from Pesos 1.1 billion (US$24.1 million)	■ reflecting higher core net income
EBITDA margin to 13% from 11%	■ reflecting higher EBITDA

Debt Profile
As at 31 December 2016, long-term debt of RHI stood at Pesos 5.8 billion (US$117.0 million) with maturities ranging from two to eight years at an annual interest of approximately 4.2%. Short-term debt stood at Pesos 4.5 billion (US$90.2 million) with an average interest of approximately 3.7%.

Dividend
In 2016, due to higher capital expenditure employed for production facilities enhancement and expansion, RHI did not declare any dividend.

FCMI
In 2016, supply of copra was under pressure as the harvest was adversely impacted by El Niño. Coconut oil is primarily used for food, cosmetics and pharmaceutical purposes and coconut by-products remain highly in demand due to their health and nutritional benefits. However, the higher average selling price was offset by the significantly increase in the milling cost of copra. FCMI sold 15,000 tonnes and 1,700 tonnes of coconut oil and refined, bleached and deodorized ("RBD") coconut oil, respectively.

In 2016, FCMI's revenue was Pesos 1.2 billion (US$25.7 million), while reported core loss was Pesos 215 million (US$4.5 million) reflecting high raw material costs due to shortage of supply copra.

Debt Profile
As at 31 December 2016, FCMI had no outstanding debt.

2017 Outlook
At RHI, improved supply of cane will alleviate a brake on revenue growth while stronger cost controls will improve margins. With expected stronger cane supplies and an improved grip on costs, it is likely to deliver improved operating and financial results.

FCMI will focus on securing consistent supply of copra at a lower cost and improving operational efficiency of its production facilities.

Chairman's Letter

"Strong growth is forecast again in 2017 for ASEAN, and we confidently expect over the medium term that this will continue to hold true."

Dear Shareholders

First Pacific's businesses are diversified in Asia and across telecommunications, consumer food products, infrastructure and natural resources with a broad commitment to earning our income from delivering the products and services that consumers in the fast-growing economies of Asia want. Our model sustains us in difficult times when demand is low, and raises our earnings in periods of economic upswing. It has served us well for almost four decades.

Our markets delivered exceptional growth in 2016, with the Philippines among the world's fastest-growing economies with a 6.5% increase in gross domestic product, followed not far behind by Indonesia, with growth of 5%. Strong growth is forecast again in 2017 for ASEAN, and we confidently expect over the medium term that this will continue to hold true.

Just last year, Indofood achieved record of top line as expanding disposable incomes continue to increase consumers' appetite for quality food products. Strong demand for its toll road, electricity, water and other services helped lift MPIC, the biggest infrastructure firm in the Philippines, to its highest-ever profit. It now owns and manages 13 hospitals in the Philippines and plans to break ground on exciting and long-needed new projects like a children's hospital and a cardiac medical centre. Philex, one of the biggest mining companies in the Philippines, is benefiting from strong metal prices and finalizing how it would develop its Silangan gold and copper project in northern Mindanao.

By the same token, PLDT is observing an exponential increase in demand for data services, particularly mobile data, resulting in a surge in data revenues. However, the margins in this business are so far lower compared with margins in legacy income streams like SMS and voice. The transformation from traditional telco to being a modern provider of telecommunications data and media services is proving difficult. Nevertheless, we believe that PLDT's future remains bright and we are expecting a return to growth earnings at the Philippines' biggest telecommunications provider starting 2017.

Our companies are committed to expanding capacity to ensure we can meet the growing demand for our offerings. PLDT continues with its elevated capital expenditure in order to meet the fast-growing demand for bandwidth-hungry data services-as much as US$900 million this year after spending similar sums in 2015 and 2016 to install and expand world-class telecommunications and network equipment in data and media market. At Indofood, we plan to spend over US$600 million to expand our capacities for consumer branded products, flour mills and plantation areas to meet increasing demand. All in all, we are committed to capital expenditure spending of over US$2 billion in 2017 alone to ensure we can meet the demands of our hundreds of millions of customers and clients across the region this year, next year and in the years ahead.

We expect 2017 will mark a return to growth for First Pacific as PLDT begins its recovery, and our food and infrastructure investments continue to benefit from strong growth in our markets. We therefore can look to the future with optimum confidence.

Yours sincerely

Anthoni Salim
Chairman

28 March 2017

Managing Director and Chief Executive Officer's Letter

To My Fellow Shareholders

When we look back on 2016 in the years ahead, I fully expect we will regard that year as a turnaround, marking the point when First Pacific turned the corner, and resumed its growth in 2017 and beyond.

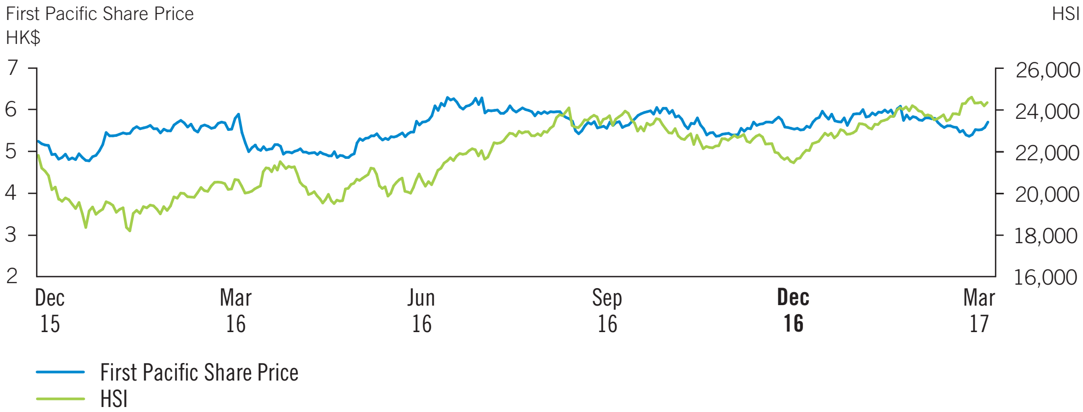
Contribution from operations was down 6% in 2016 at US$400.2 million in a poor trading environment marked by stiff competition in some of our more important markets. This sent recurring profit down 8% to US$264.9 million, even as we reduced Head Office borrowing costs. Net profit after exceptional items rose 28% to US$103.2 million on lower foreign exchange losses.

Lower revenues and margins at PLDT hurt profit at one of First Pacific's bigger investments; the strong results shown by the other Group companies could not compensate for this deficit, and lift the overall contribution in 2016. However, we are confident that PLDT is on track to stability and a return to earnings growth starting 2017. Indofood delivered record sales and profits, while continuing to maintain a very robust balance sheet. In 2016, we celebrated our first full year of management of Goodman Fielder with our joint owners Wilmar International, and were rewarded with a sharp 22% rise in core profit. Philex earnings also rose on high metal prices and lower costs. MPIC delivered record high earnings on record high revenues and looks set for a repeat in 2017, while our Singapore power plant PLP saw its negative contribution widen to US$13.9 million in a very competitive market.

As we opened 2017, there are some signs of recovery in PLDT's operating metrics. Given this, and continued strengths of the rest of members of the Group, we are confident in the immediate and long-term prospects for the Company, as we expect operating companies to improve their core profitability in 2017, and raise their dividend payments to First Pacific as well.

Net debt has declined by 8% to just over US$1.5 billion as at the year-end on a combination of lower gross debt and higher cash. As a sign of confidence, First Pacific's Board of Directors

First Pacific Share Price vs Hang Seng Index (HSI)



elected to leave the distribution unchanged on a per-share basis, resulting in a full-year distribution payout ratio of 28% of recurring profit.

Taken in the round, it is our sense that First Pacific is well positioned to return to the pace of profit growth and value enhancement – that the latter has, in fact, delivered a 16% compound annual growth in our Gross Asset Value over the past 14 years to our shareholders.

Yours cordially

M V Pangilinan
Managing Director and Chief Executive Officer

28 March 2017

"We are confident in the immediate and long-term prospects for the Company, as we expect operating companies to improve their core profitability in 2017, and raise their dividend payments to First Pacific as well."

Board of Directors and Senior Executives

Board of Directors

1 2 3 4

Anthoni Salim 1

Chairman

Age 67, Mr. Salim graduated from Ewell County Technical College in Surrey, England. He is the President and CEO of the Salim Group, President Director and CEO of PT Indofood Sukses Makmur Tbk and PT Indofood CBP Sukses Makmur Tbk, and holds positions as Commissioner and Director in various companies.

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

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

Manuel V. Pangilinan 2

Managing Director and Chief Executive Officer

Age 70, Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts degree in Economics. He received his MBA degree from the Wharton School at the University of Pennsylvania. In Manila, he worked for Philippine Investment Management Consultants Inc. (PHINMA) in the Philippines, and in Hong Kong with Bancom International Limited and American Express Bank. Thereafter he founded First Pacific in May 1981.

Mr. Pangilinan served as Managing Director of First Pacific since its founding in 1981 until 1999. He was appointed Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer. He holds the positions of President Commissioner of PT Indofood Sukses Makmur Tbk in Indonesia. In the Philippines, Mr. Pangilinan is the Chairman of PLDT Inc. (PLDT), Metro Pacific Investments Corporation (MPIC), First Coconut Manufacturing Inc. (FCMI), Manila Electric Company (Meralco), ePLDT, Inc., Smart Communications, Inc. (Smart), PLDT Communications and Energy Ventures, Inc. (formerly named Pilipino Telephone Corporation), Maynilad Water Services, Inc., Metro Pacific Tollways Corporation, Manila North Tollways Corporation, Philex Mining Corporation, PXP Energy Corporation, Landco Pacific Corporation, Medical Doctors, Inc. (Makati Medical Center), Davao Doctors, Inc. and Colinas Verdes Corporation (Cardinal Santos Medical Center), Mediaquest Holdings, Inc. and Associated Broadcasting Corporation (TV 5), and the Vice Chairman of Roxas Holdings, Inc. On 1st January 2016, he assumed the position of President and Chief Executive Officer of PLDT and Smart.

In 2006, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula, rank of Komandante in recognition of his contributions to the country. He was named Management Man of the Year 2005 by the Management Association of the Philippines. Mr. Pangilinan was awarded the First Honorary Doctorates Degree in Management by Asian Institute of Management in 2016, Honorary Doctorates in Science by Far Eastern University in 2010, in Humanities by Holy Angel University in 2008, by Xavier University in 2007 and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School.

In civic duties, Mr. Pangilinan sits as Chairman of the Philippine Business for Social Progress (PBSP), PLDT-Smart Foundation Inc., One Meralco Foundation, Inc., and Co-Chairman of the Philippine Disaster Resilience Foundation (PDRF), and is a Director of the Philippine Business for Education (PBED). He is Chairman of the Board of Trustees of San Beda College, as well as Co-Chairperson of the Board of Trustees of Stratbase Albert del Rosario Institute. He is Co-Chairman of the U.S.-Philippine Society.

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

Robert C. Nicholson 3

Executive Director

Age 61, Mr. Nicholson, who is a graduate of the University of Kent, qualified as a solicitor in England and Wales and in Hong Kong. He is Chairman of Goodman Fielder Pty Limited (since March 2015), a Commissioner of PT Indofood Sukses Makmur Tbk and a Director of Metro Pacific Investments Corporation, Philex Mining Corporation, PXP Energy Corporation, PacificLight Power Pte. Ltd. and Forum Energy Limited, all of which are First Pacific Group subsidiaries, associates or joint venture.

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

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

Edward A. Tortorici 4

Executive Director

Age 77, Mr. Tortorici received a Bachelor of Science from New York University and a Master of Science from Fairfield University. He has served in a variety of senior and executive management positions, including Corporate Vice President for Crocker Bank and Managing Director positions at Olivetti Corporation of America and Fairchild Semiconductor Corporation.

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

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

Board of Directors

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Edward K.Y. Chen 5

GBS, CBE, JP

Independent Non-executive Director

Age 72, educated at the University of Hong Kong and Oxford University, Professor Chen is an Independent Non-executive Director of Wharf Holdings Limited. He has served as President of Lingnan University; Professor and Director of the Centre of Asian Studies of the University of Hong Kong; Chairman of Hong Kong's Consumer Council; as an Executive Councillor of the Hong Kong Government; and as a Legislative Councillor. He is now the Chairman of the HKU SPACE Board of Directors, President of Qianhai Institute for Innovative Research in Shenzhen, a Board Director of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority, a Distinguished Fellow of the Hong Kong Institute for the Humanities and Social Sciences at the University of Hong Kong, and Honorary Professor of the Open University of Hong Kong. Professor Chen joined First Pacific's Board in 1993.

Philip Fan Yan Hok 6

Independent Non-executive Director

Age 67, Mr. Fan holds a Bachelor's Degree in Industrial Engineering, a Master's Degree in Operations Research from Stanford University and a Master's Degree in Management Science from Massachusetts Institute of Technology.

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

Mr. Fan is an Independent Non-executive Director of China Everbright International Limited, Hysan Development Company Limited, China Aircraft Leasing Group Holdings Limited and PFC Devices Inc. He is also an Independent Director of Australia listed Goodman Group. Mr. Fan is a member of the Asia Advisory Committee of AustralianSuper, a pension fund established in Australia. From March 2013 till December 2013, he was an Independent Director of Suntech Power Holdings Co., Ltd. which is under official liquidation. He joined First Pacific's Board in December 2012.

Madeleine Lee Suh Shin 7

Independent Non-executive Director

Age 54, Ms. Lee graduated with a Bachelor of Arts Honours in Economics and Accounting from the University of Leeds, UK and a Master of Business Administration from the University of Bradford, UK. She obtained her Chartered Financial Analyst qualification in 1989.

Ms. Lee has 30 years in investment management, having worked with the Government of Singapore Investment Corporation, Chase Manhattan and Morgan Grenfell. She was appointed Managing Director/Chief Investment Officer at Commerzbank Asset Management Asia in 1997. In 2001, Ms. Lee co-founded BowtieAsia Pte Ltd, which matched private equity investments in the technology space using an internet platform, a precursor to "crowdfunding". In 2002, she was made a Fellow of the Eisenhower Exchange Fellowship. From 2005 to 2007, she was the Deputy Chief Investment Officer of the Investment Office of the National University of Singapore. In 2008, she founded Athenaeum Limited, a boutique investment manager of Asian Pacific funds. This was sold to Azimut Group in 2016.

Ms. Lee has served on the board of directors of Mapletree Investments Pte Ltd, Aetos Security Pte Ltd and ECICS Holdings of the Temasek Holdings stable of companies. She was on Monetary Authority of Singapore's Financial Sector Review Committee on the Liberalisation of the Stockbroking Industry in 1997 and the Business Development Review Group for the Merged Exchange in 1998.

Ms. Lee currently serves on the Board of The Community Foundation of Singapore, The Arts House and the Governing Council of Singapore Institute of Management. She joined First Pacific's Board in September 2015.

Margaret Leung Ko May Yee 8

SBS, JP

Independent Non-executive Director

Age 64, Mrs. Leung holds a Bachelor's Degree in Economics, Accounting and Business Administration from the University of Hong Kong. She was the Vice-Chairman and CEO of Hang Seng Bank Limited and Chairman of Hang Seng Bank (China) Limited prior to her retirement on 30 June 2012. Mrs. Leung also held various pivotal positions in HSBC Holdings Plc and The Hongkong and Shanghai Banking Corporation Limited

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from February 1978 until 30 June 2012. She was also an Independent Non-executive Director of the Hong Kong listed Swire Pacific Limited, Hutchison Whampoa Limited and China Construction Bank Limited. Mrs. Leung was the Chairman of the Board of Governors of Hang Seng Management College and Hang Seng School of Commerce until March 2013, and a Member of the Advisory Board and Chairman of the Investment Committee of the Hong Kong Export Credit Insurance Corporation until December 2010.

Mrs. Leung is a council member and Treasurer of the University of Hong Kong. She is the Deputy Chairman, Managing Director and Chief Executive of Chong Hing Bank Limited, and an Independent Non-executive Director of Sun Hung Kai Properties Limited, Hong Kong Exchanges and Clearing Limited, Li & Fung Limited and QBE Insurance Group Limited. Mrs Leung joined First Pacific's Board in December 2012.

Albert F. del Rosario 9

Non-executive Director

Age 77, Ambassador del Rosario received a Bachelor's Degree in Economics from New York University.

He served as Secretary of Foreign Affairs of the Philippines from February 2011 to March 2016 and as Philippine Ambassador to the United States of America from October 2001 to August 2006. Prior to entering public service, Ambassador del Rosario was on the Board of Directors of over 50 firms, his business career for over four decades has spanned the insurance, banking, real estate, shipping, telecommunications, advertising, consumer products, retail, pharmaceutical and food industries.

Ambassador del Rosario was conferred the Order of Sikatuna, Rank of Datu, Order of Lakandula with a Rank of Grand Cross (Bayani) and was recipient of EDSA II Presidential Heroes Award. He was granted the 2013 Professional Chair for Public Service and Governance by Ateneo School of Government and the Metrobank Foundation, 2014 Management Man of the Year by Management Association of the Philippines, 2016 Outstanding Government National Official, 2016 Asia CEO Awards as Life Contributor, and Manuel L. Quezon Gawad Parangal as Quezon City's Most Outstanding Citizens for 2016. He was also elevated to the Xavier Hall of Fame in New York City in 2006 and received the AIM Washington Sycip Distinguished Management Leadership Award in 2011. He was conferred Doctor of Laws (Honoris Causa) for principled commitment to democracy, integrity and the rule of law by the College of Mount Saint Vincent, New York City in 2015. He received the Rotary Club Makati West's first "Albert del Rosario Award" in 2016, the Outstanding Leadership in Diplomatic Service award by Miriam College Department of International Studies and Philippine Tatler's Diamond Award.

He is Co-founder of Gotuaco del Rosario Insurance Brokers Inc., the Chairman of Philippine Stratbase ADR Institute, Inc. and a Director of Sarimonde Foods Corporation.

Ambassador del Rosario joined First Pacific as an Independent Non-executive Director in June 2003 and served as a Non-executive Director from 2004 until March 2011. He re-joined First Pacific's Board in June 2016. He is also a Director of Indra Philippines, Inc., PLDT Inc., Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation and Cavitex Infrastructure Corporation, all of which are First Pacific Group subsidiaries or associate.

Tedy Djuhar 10

Non-executive Director

Age 65, Mr. Djuhar received a Bachelor of Economics degree from the University of New England in Australia. He has also completed the EMBA program at Cheung Kong School of Business Beijing in June 2014. Mr. Djuhar is Vice President Commissioner of PT Indocement Tunggal Prakarsa Tbk, a Director of Pacific Industries and Development Limited and a number of other Indonesian companies. He joined First Pacific's Board in 1981.

Benny S. Santoso 11

Non-executive Director

Age 59, Mr. Santoso graduated from Ngee Ann College in Singapore. He serves as a Commissioner of PT Indofood Sukses Makmur Tbk, a President Commissioner of PT Nippon Indosari Corpindo Tbk, a Commissioner of PT Fast Food Indonesia Tbk, a Director of PT Indocement Tunggal Prakarsa Tbk and as a member of the Advisory Board of PLDT Inc. He joined First Pacific's Board in 2003.

Senior Executives

1 2 3 4

Marilyn A. Victorio-Aquino 1

Assistant Director and Chief Risk Officer

Age 61, Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude) and qualified as a barrister in the Philippines in 1981. She joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989.

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

Ms. Aquino is the President and Chief Executive Officer of MetroPac Movers Inc., the logistics company of Metro Pacific Investments Corporation. She is also a Director of Philex Mining Corporation, First Coconut Manufacturing Inc., Philex Gold Philippine, Inc., PXP Energy Corporation, Silangan Mindanao Mining Company Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. Ms. Aquino joined First Pacific in 2012. She was appointed as Chief Risk Officer in August 2016.

Ray C. Espinosa 2

Associate Director

Age 61, Mr. Espinosa has a Master of Laws degree from the University of Michigan Law School and is a member of the Integrated Bar of the Philippines. He was a partner of SyCip Salazar Hernandez & Gatmaitan from 1982 to 2000, a foreign associate at Covington and Burling (Washington, D.C., USA) from 1987 to 1988, and a law lecturer at the Ateneo de Manila School of Law from 1983 to 1985 and 1989.

Mr. Espinosa is a Director of PLDT Inc., Smart Communications, Inc., Manila Electric Company (Meralco), Roxas Holdings, Inc., Metro Pacific Investments Corporation, Meralco PowerGen Corporation, First Agri Holdings Corporation and First Coconut Manufacturing Inc. He also serves as an Independent Director of Lepanto Consolidated Mining Company (Lepanto) and Maybank Philippines, Inc. (Maybank Philippines). He is the Chairman of the Finance Committee of Meralco, the Audit Committee of Lepanto and the Risk Management Committee of Maybank Philippines. Mr. Espinosa is the Chief Corporate Services Officer of PLDT and Smart, the General Counsel of Meralco and Head of PLDT's Regulatory Affairs and Policy Office. He is also a trustee of the Beneficial Trust Fund of PLDT.

Mr. Espinosa joined First Pacific in 2013. He is First Pacific Group's Head of Government and Regulatory Affairs and Head of Communications Bureau for the Philippines.

Victorico P. Vargas 3

Assistant Director

Age 64, Mr. Vargas was educated at Ateneo de Manila and University of Santo Tomas.

Prior to his appointment as Assistant Director of First Pacific, Mr. Vargas was the President and Chief Executive Officer at Maynilad Water Services, Inc. He joined PLDT in 2000 as its Human Resources Group Head and through his stay at PLDT got involved in managing the PLDT Business Transformation Office, Asset Protection and Management Group, and the PLDT International Carrier Business. He has worked in senior roles at Union Carbide, Pepsico, Colgate Palmolive and Citigroup.

He is a Director of the PLDT Subic Telecom, Inc. and PLDT Clark Telecom, Inc., President and Member of the Board of Trustees of the First Pacific Leadership Academy, Trustee of the MVP Sports Foundation, and IdeaSpace Foundation and President of the PhilPop Music Fest Foundation.

Mr. Vargas joined First Pacific in January 2016, overseeing First Pacific Group businesses operating in the Philippines and its region, particularly focus leading the Business Transformation of PLDT.

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Christopher H. Young 4

Chief Financial Officer

Age 59, Mr. Young is currently a Director of Roxas Holdings, Inc. and FPM Power Holdings Limited, and a member of the Advisory Board of PLDT Inc. (PLDT), a major operating associate of First Pacific. He also serves as Commissioner of PT Indofood Sukses Makmur Tbk and a Trustee of IdeaSpace Foundation, Inc. He most recently served as the Chief Financial Advisor of PLDT. He worked in PricewaterhouseCoopers in London and Hong Kong from 1979 until 1987, at which time he joined First Pacific in Hong Kong as Group Financial Controller. He joined Metro Pacific Corporation in 1995 as Finance Director, a position he held until he joined PLDT in November 1998.

Maisie M.S. Lam 5

Executive Vice President
Group Human Resources

Age 62, Ms. Lam received a Diploma from the Hong Kong Polytechnic University/Hong Kong Management Association. She joined First Pacific in 1983.

Joseph H.P. Ng 6

Executive Vice President
Group Finance

Age 54, Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Ng joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. Prior to his appointment as Executive Vice President, Group Finance in May 2002, Mr. Ng was Group Treasurer of the First Pacific Group and served in several senior finance positions within the Group.

John W. Ryan 7

Head of Investor Relations
Executive Vice President
Group Corporate Communications

Age 51, Mr. Ryan received a Bachelor of Arts degree from the University of Connecticut and completed a Master of Philosophy course on Slavonic and East European Studies at St. Antony's College, Oxford University. He spent several years as a financial journalist, opening and leading Bloomberg's Moscow bureau for five years in the early 1990s and later joining Dow Jones as Bureau Chief over the period 1998–2004 in Moscow and Hong Kong. Mr. Ryan subsequently served as Head of Corporate Communications, Asia Pacific for HSBC's wholesale bank. He joined First Pacific in 2010.

Stanley H. Yang 8

Executive Vice President
Group Corporate Development

Age 40, Mr. Yang received a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania. He oversees the Group's corporate development activities including mergers and acquisitions, strategic investments, joint ventures, and other portfolio company growth initiatives. Prior to joining First Pacific, Mr. Yang worked at Deutsche Bank where he led investment banking coverage for the diversified industrials sector in Asia. He also previously served as a director in Deutsche Bank's mergers and acquisitions department, where he advised clients on mergers and acquisitions, divestitures and leveraged investment transactions in Asia and the United States. Mr. Yang began his career in New York where he gained transaction experience in principal investments and investment banking. He joined First Pacific in 2013 and is currently a Director of FPW Singapore Holdings Pte Ltd.

Senior Executives

9 10 11 12

Richard P.C. Chan 9
Vice President
Group Financial Controller

Age 47, Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a CFA charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. Mr. Chan joined First Pacific in 1996 from KPMG. Prior to his appointment as Vice President, Group Financial Controller in 2014, Mr. Chan was Vice President of Group Finance.

Sara S.K. Cheung 10
Vice President
Group Corporate Communications

Age 53, Ms. Cheung received a BA in Business Economics from the University of California, Los Angeles and an MBA from Southern Illinois University, Carbondale. She is a member of the Hong Kong Investor Relations Association. She joined First Pacific in 1997 from the Public Affairs department of Wharf Limited and Wheelock and Company.

Nancy L.M. Li 11
Vice President
Company Secretary

Age 59, Ms. Li received a BA from McMaster University in Canada and a MSc in Corporate Governance and Directorship from Hong Kong Baptist University. She is a Fellow of the Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries & Administrators of Great Britain. Ms. Li joined First Pacific in 1987 from the Hong Kong Polytechnic University's academic secretariat. Prior to that, she worked in the company secretarial department of Coopers & Lybrand. Ms. Li was appointed as First Pacific's Company Secretary in 2003.

Peter T.H. Lin 12
Deputy Treasurer
Vice President
Group Tax

Age 47, Mr. Lin received a MSc in Management Sciences from the University of Southampton and a BSc in Economics and Statistics from Coventry University. He is a Fellow of the Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Lin joined First Pacific in 1998 from KPMG where he was a Tax Manager. Prior to his appointment as Deputy Treasurer and Vice President of Group Tax in 2014, Mr. Lin was Vice President of Group Tax and Treasury.

Capturing the First Pacific Spirit Photo Competition

Champion
Harvesting
Thomas Adhika Wibowo
PT Salim Ivomas Pratama Tbk

1st Runner-up
Meralco Lineman
Ma. Cristina C. Nepomuceno
Meralco

2nd Runner-up
Technology in the Mountains
Darwin F. Flores
Smart Communications, Inc.

CSR focus of First Pacific Group companies and foundations

First Pacific Charitable Fund

Supports the Hong Kong community with a focus on:
- Encouraging community involvement
- Well-being development
- Environmental care

Tulong Kapatid

Offers a framework for seamless coordination among First Pacific Group companies to:
- Share information, resources and volunteers for collective impact
- Eliminate inefficient duplication and identify synergies
- Present First Pacific Group companies as trusted partners in nation-building in the Philippines

MVP Sports Foundation

- Aids in the development of National Team Programs and National Athletes in the Philippines
- Primarily supports eight sports namely badminton, basketball, boxing, cycling, football, golf, taekwondo and rugby

Ideaspace

Promotes technology and science-based entrepreneurship in the Philippines:
- Conducts a national and Southeast Asian start-up challenge
- Organizes technopreneurship boot camps
- Offers financial support and training
- Establishes the first public and private sector innovation hub for the Philippines

PLDT Smart Foundation

Funds and develops programs that promote:
- Education – with focus on development of teachers and fostering innovation in education
- Livelihood and social enterprise
- Disaster response and recovery
- Youth and arts
- Sports development

Indofood

Social and community activities are embodied in the five pillars, namely:
- Building human capital
- Nutrition for All
- Strengthening economic value
- Protecting the environment
- Solidarity and humanity

Metro Pacific Foundation

- Offers quality education through Mano Amiga ("Friendly Hands")
- Promote employee teamwork, creativity and camaraderie by upcycling office trash
- Promotes environmental awareness through Shore It Up!

Goodman Fielder

Collaborates with others on:
- Responsible sourcing and sustainable agriculture
- Hunger relief and malnutrition
- Improved environmental outcomes
- Disaster response

Philex Group Foundation, Inc.

Provides funding and practical support for:
- Highland agriculture
- Social enterprise development
- Market establishment for the community goods, through PxCFMI

PacificLight

Supports Singapore-based charities through both financial and practical assistance:
- Socially responsible and acts ethically in the environment of Singapore
- Supporting the community through volunteering and donations, in particular areas relating to the environment, the disadvantaged and education

RHI

Focuses on social and environmental initiatives:
- Poverty alleviation
- Clean water and sanitation
- Responsible consumption

One Meralco Foundation

Provides funding and support for:
- Electrification of low income households in the Meralco franchise area and public schools in remote and island communities throughout the Philippines
- Energy education
- Electrical facilities rehabilitation of public schools
- Youth development through education, sports and the arts
- Community relations and employee volunteerism
- Power restoration support in disaster areas and relief efforts

Maynilad

Leads initiatives and forges partnerships that promote:
- Water, sanitation and hygiene (W.A.S.H. agenda)
- Water resource conservation
- Social entrepreneurship
- Youth empowerment
- Disaster response

Metro Pacific Tollways

Support activities that lead to improvements in:
- Health
- The environment
- Education
- Road safety and safe expressway driving
- Youth engagement in sports

MPIC Hospital Group

- Forges Public-Private Partnerships for the organizational strengthening of public and military hospitals
- Conducts medical-surgical missions and adopts indigent patients through the Health Heroes Program
- Responds to disaster and emergency preparedness challenges during both natural and man-made calamities through the PPPREPared (Public-Private Partnerships for Rescue and Emergency Preparedness) Program
- Facilitates donation of hospital equipment and medical supplies through the EQUIPPP (Equipment Upgrade and Improvement through Public-Private Partnerships) Program

Alagang Kapatid Foundation, Inc.

Funds activities that promote:
- Disaster response, recovery and rehabilitation
- Medical assistance for indigent patients

A Culture of Responsibility

First Pacific

First Pacific Group's companies conduct business with the highest regard for ethical responsibility while protecting and enhancing the interests of stakeholders. We offer equal career opportunity to all employees, regardless of race, religion and gender. Our commitment to creating long-term value springs from our close connection to the needs of the communities where our businesses operate. Our businesses are built upon vital services such as telecommunications, power, water, food, medical services, roads and rail.

First Pacific leads its CSR initiatives from the highest level. Management at Head Office and within operating companies leverage their leadership to provide support to their communities.

Employee benefits

At the Head Office in Hong Kong, First Pacific offers:

- Medical coverage for employees, their spouses and children
- Employees' medical health checks, and life and accident insurance
- Staff Recreation Club offering leisure activities for employees and their families
- Continuing education

Environmental care

- Encouraging e-communication and filing
- Reducing paper and electricity consumption
- Recycling of paper, plastic and metal waste
- Encouraging conference calls and video conferences to reduce executives' travelling

Community involvement

In October 2016, First Pacific Charitable Fund and First Pacific Staff Recreation Club supported Lingnan University's "Walking with Lingnanians" Fundraising Walkathon. First Pacific's staff and family members participated, raising funds for university development and to promote Lingnan's distinguished liberal arts education to the public.

Community support in Hong Kong

- Scholarships at Lingnan University
- The Community Chest
- The Society for the Relief of Disabled Children

First Pacific Group employee engagement

As a fun activity to engage our people and recognize talented photography lovers in the First Pacific Group, employees of all our companies were invited to participate in the First Pacific Group photo competition.

In 2016, photography themes were "our people at work, our products and services, and sustainability at work". We received 298 high quality entries from 30 operating companies. Prizes for the top three winners were an iPhone, Panasonic and Canon cameras.

Tulong Kapatid

Tulong Kapatid formally turned over 266 housing units to the families rendered homeless when Typhoon Pablo devastated the province in 2012

The five-hectare resettlement site in Barangay Lambajon, Davao Oriental, donated by the provincial government and the National Housing Authority, was developed with the assistance of PLDT-Smart Foundation ("PSF") and support from First Pacific, Philex, PLDT, Smart, Meralco, Metro Pacific Investments, TV5, Makati Medical Center and DMCI.

Tulong Kapatid collaborates on CSR projects

Tulong Kapatid composed of the various CSR units of the First Pacific Group, collaborated with RHI on a community and plant tour at Central Azucarera Don Pedro, Inc. ("CADPI") in Nasugbu, Batangas. The project aimed to introduce RHI and CADPI's various CSR programs and activities. It also provided avenues to explore potential collaboration within the First Pacific Group.

Tulong Kapatid

The First Pacific Group companies' CSR Council, celebrated Paskong Kapatid - a traditional Christmas party for children from various partner-communities. In December 2016, the party hosted 131 happy kids who enjoyed a memorable celebration of a Batibot show and generous gifts given by the CSR Council.

Blessing and turnover of MVP Tulong Kapatid Multipurpose and Evacuation Center

In partnership with the Archdiocese of Palo, Leyte, PSF, with support from One Meralco Foundation and Ciena Communications, led the construction of Tulong Kapatid Multipurpose and Evacuation Center. Accommodating 1,500 people in a 1,200 square meters space, the Center serves as an event space and a temporary shelter in times of disasters such as Typhoon Yolanda.

IdeaSpace

The foundation continued its mission of inspiring, incubating and connecting science and technology entrepreneurs. Since its establishment in March 2012, IdeaSpace has funded and supported 52 startup companies, enabling over 150 entrepreneurs.

Startup Milestones

IdeaSpace startups reached new milestones in 2016. Tambio (Batch 2014), the raffle automation solutions provider for malls in the Philippines, and earned good revenues in 2016. FrontLearners (Batch 2015), a blended learning solution for students, was serving 11,000 students at year-end 2016. Tarkie (Batch 2016), a mobile productivity solution for field employees, has served 1,200 users, and earning good revenues.

IdeaSpace supports more startups with equity-free funding

The foundation funded and supported seven more companies through its 4th startup competition which drew over 560 applications from the Philippines. At year-end 2016, the foundation has supported a total of 52 startups. The foundation also launched its Intrapreneur Acceleration Program aimed at reinforcing the entrepreneurial mindset of employees of the First Pacific Group. This pilot program involved Meralco, Maynilad, Voyager and PayMaya whose teams devised new products and processes for their companies.

IdeaSpace launches QBO Innovation Hub

In August 2016, IdeaSpace, in partnership with the Department of Science and Technology, Department of Trade and Industry and J.P. Morgan launched the QBO innovation hub. QBO is a community hub for ideas generation, showcasing Filipino innovation and building great companies.

IdeaSpace receives a grant from EU

In October 2016, IdeaSpace was invited to join a consortium funded by the European Commission. Project BEEHIVE (Building Entrepreneurial Ecosystems to Enhance Higher Education Value-Added for Better Graduate Employability) combines the efforts of universities and incubators in Indonesia, Philippines, Bulgaria, Greece, Iceland, Italy and Ireland. The project strives to spur growth in entrepreneurial universities in the Philippines and Indonesia.

PLDT

PLDT wins International Disaster Relief Award

PLDT won the UPS International Disaster Relief Award at the 2016 Annual Responsible Business Gala in London. The event - run by The Prince of Wales's charity, Business in the Community - celebrates the innovative ways that businesses are transforming communities, and attracted around 300 entries.

PLDT's award winning initiative in reviving the Philippine Disaster Resilience Foundation (PDRF), established a platform of collaboration between the private sector, national and local government, and international agencies. Initially set up after Typhoon Ondoy (international name: Ketsana), PDRF's platform was used to mobilize the resources of the private sector in response to Super Typhoon Yolanda (international name: Haiyan), to deliver emergency food, shelter, new school buildings and healthcare.

PSF relief during natural disasters

In 2016, PSF served a total of 3,481 families, victims of various typhoons that hit the Philippines (Typhoon Ferdie, Lawin and Nina) and the Southwest Monsoon (Habagat), the El Niño phenomenon and fires.

PSF donates school building to Pis-Anan National High School

PSF, in partnership with the BDO Foundation, turned over a four-classroom, two-storey building to Pis-Anan National High School at Sibalom, Antique, in January 2016. The new classrooms are fully equipped with chairs, blackboard and ceiling fans to make learning comfortable.

PSF, TV5 Alagang Kapatid provide school kits in Pampanga

As part of its Brigada Eskwela project, PSF distributed 120 school bags and dictionaries to the pupils of Dike Elementary School in Pampanga, in July 2016. This project was in partnership with TV5 Alagang Kapatid Foundation and One Meralco Foundation.

2G turns over construction materials to Muntinlupa school

Through its flagship project Gabay Guro, PSF turned over construction and building materials for Brigada Eskwela's classroom maintenance program in Itaas Elementary School NBP-Annex. Five buildings will be repaired and maintained with the materials.

Happy Eskwela Project with AKFI

PSF in partnership with Alagang Kapatid Foundation, Inc., distributed 1,642 school kits to Abra and Ilocos.

ACC 2016 provides gadgets and connectivity to Cebu public schools

Together with partners Huawei and PLDT Gabay Guro, ACC 2016 donated 50 laptops, 35 tablets, a tech van, free internet connectivity for six months and Smart 4G Pocket WiFi units to four public high schools in Cebu.

Indofood

Indofood strives to improve the welfare of the community and environment through its extensive CSR programs.

Environmental stewardship

Indofood has implemented internationally-recognized environmental standards such as ISO 14001 for Environmental Management System and ISO 50001 for Energy Management System in some of our operating units.

Indofood voluntarily conducts self-assessment according to the Environment and Forestry Ministry's program for Pollution Control, Evaluation and Rating (PROPER) across its operating units.

Sustainable plantations

Indofood, through the Agribusiness group, is engaged in the sustainable farming and production of palm oil. As of 2016, it achieved total RSPO and ISPO certified CPO production of 388,000 tonnes and 255,000 tonnes, respectively. It has targeted to certify its entire production of sustainable palm oil by 2019. IndoAgri's sustainability report is available at www.indofoodagri.com.

Managing energy, water and waste

Indofood is committed to improving its energy management system and encouraging the adoption of alternative energy sources as well as continuously improving water and waste management.

Labour practices, occupational health and safety practices

Indofood has developed numerous employee training programs, supported by Indofood Education and Training Centres facilities.

Employee safety and health are key priorities at Indofood, as outlined in the Safety, Health and Environment Policy (SHE). Several of its operating units are certified to the Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 standard.

Indofood offers equal career development opportunities to all employees, regardless of race, religion and gender. It also complies with Indonesian labor laws, such as the elimination of child and forced labor. Its employees enjoy healthcare benefits, maternity and religious pilgrimage leave. Indofood provides a scholarship program for employees' children.

Social and community development

Building human capital

Indofood's programs include the Indofood Scholarship (BISMA), the Indofood Riset Nugraha (IRN) research grant, Indofood Rumah Pintar educational community centres and Integrated Child-Friendly Public Space.

Nutrition for All

Indofood is committed to eliminating malnutrition. We partner with the Indonesian government, United Nations, NGOs, private philanthropists, businesses and scientists under the Public Private Partnership for the Scaling Up Nutrition Movement (SUN Movement). Programs include SUN Mobil Nutrition Service for Mother and Infants, Integrated Health Posts, Nutrition for Workforce and Healthy Breakfast Program.

Strengthening economic value

Indofood has created Farmer Partnerships, Cow Breeders Partnerships, Tempe Producer Partnerships and Plasma Farmer Partnerships, to generate long-term economic value.

It implemented the Pojok Selera Program for spouses, family members of farmers and the community, to set up non-rice-based food businesses. It also continued the Bogasari Mitra Card (BMC) Program for SME Bogasari flour partners. The Noodles Division of the CBP Group developed Warmindo, an assistance program for small traders of Indomie noodles.

Indofood has been a member of Partnership for Indonesia Sustainable Agriculture (PISAgro) since 2011, plays an active role as the Chair of the Potato Commodities Working Group and as a member of the Soybean Commodities Working Group.

Solidarity and humanity

Indofood assists when disasters strike by delivering much-needed supplies. In 2016, Indofood Peduli Posts provided after an earthquake in Pidie and after flash floods in Garut, West Java and Bima, and West Nusa Tenggara.

Additional programs are Ramadhan Safari, Indofood Shares the Love and Qurban Offering Donation Program. The Agribusiness group sponsors cleft lip surgeries for children in Indonesia.

Product responsibility

Adhering to food safety principles

Food safety is Indofood's top priority. It controls food safety throughout the entire product lifecycle, in accordance with Indofood's Integrated Total Quality Management program and Good Manufacturing Practices. It adopts international standards on Quality and Food Safety Management Systems, such as ISO 9001, ISO 22000, ISO 17025, FSSC 22000, HACCP and AIB International; as relevant to each operating unit.

Commitment to Halal products

Its food is Halal-certified by the Assessment Institute for Food, Drugs and Cosmetics of the Indonesian Council of Ulamas (LPPOM MUI), while its Halal operating system is certified with Halal Assurance System (HAS). HAS is an international reference recognized by 41 foreign certification institutions, which has facilitated its exports to the countries where the certifications are recognized.

Product labelling

Indofood's products comply with applicable regulations on product labelling and can include information such as ingredients, nutritional values, product expiry dates and customer service.

Consumer Facilities

Indofood strives to increase consumer satisfaction. Indofood Consumer Services (ICS) is a channel through which consumers can make inquiries and lodge product complaints and receive a rapid and personalized response.

MPIC

MPIC is dedicated to CSR initiatives aimed at poverty alleviation, educational scholarships and environmental stewardship.

Mangrove Propagation and Information Centers through Shore It Up!

Prompted by the continuing decline in total area of mangrove forests in the Philippines, Shore It Up! initiated the creation of Protection and Propagation Information Centers. These are designed to educate and increase awareness on the public of the value of mangrove to the ecosystem.

The Centers foster an eco-tourism product awarded to, and managed by, the local community. Shore It Up! and local government units select people from the community and train them professionally to become mangrove eco-guides or mangrove ambassadors. The ECOFISH project of USAID also helped in some training and capacity building.

Upcycling office trash

Funk Up the Junk is a themed activity between teams in the departments of MPIC. It's a way to boost the employees' engagement in the company's social and environmental responsibility advocacy. The contest, run since 2015, requires the teams to use recyclable materials - drawn from office trash – to create Christmas trees.

Quality education

Mano Amiga Academy is a school that provides underprivileged children access to high quality education, comparable with that of the best private schools. For the past seven years, Mano Amiga has been operating in a temporary facility in Taguig and, due to space constraints, was forced to turn down four out of five applicants for scholarships.

In April 2016, the MPIC Foundation donated Pesos 13.0 million to Mano Amiga for the construction of a permanent campus in Paranaque. The school will accommodate 800 to 1200 families and provide sustainable livelihoods for the parents. In addition, an annual MPIC employee outreach brings student scholars to Kidzania, an indoor play city where kids can have fun exploring the adult world.

Goodman Fielder

Responsible sourcing and sustainable agriculture

Goodman Fielder is committed to sourcing certified sustainable palm oil (CSPO) for all our products in Australia and New Zealand. In 2016, Goodman Fielder maintained RSPO supply chain certification for 26 manufacturing sites and over 95% of the palm oil contained in the ingredients we used in Australia and New Zealand was CSPO (mass balance). Green Palm certificates were purchased to cover the remaining volume not sourced through the mass balance supply chain model.

Goodman Fielder joined the committee of management for the Australian Chapter of the Sustainable Agriculture Initiative ("SAI") Platform. During 2016 SAI conducted a Climate Change Impact Forum. It also commissioned research into how emerging technology for farm management can be used to give consumers greater confidence in the farms that produce their food.

As a signatory to the Australian Business Pledge against Forced Labour, Goodman Fielder continued our work on identifying forced labour risks in our supply chain. The Pledge signatories also invited leading non-Government Organisations to join an Advisory Council for the Pledge to inform and focus our efforts.

Relieving hunger and malnutrition

Goodman Fielder Cares Trust (New Zealand)

The Goodman Fielder Cares Trust is managed by employees of Goodman Fielder in New Zealand and, through the support of the company, is able to ensure that 100% of all donations received support the Trust's initiatives.

In the 12 months to 30 June 2016, over 650 volunteer hours were worked by employees at worthy organisations throughout New Zealand. The company also donated over 150,000 loaves of fresh bread to foodbanks, and matched, dollar for dollar, the employee payroll donations.

DINEAID (New Zealand)

In 2016, Goodman Fielder NZ continued as principal sponsor of DINEAID, an initiative by a small group of Kiwi restaurateurs to give a helping hand to those in need. DINEAID funds are redistributed to Foodbanks in Auckland, Wellington and Christchurch/South Island regions.

Foodbank (Australia)

Goodman Fielder is a major supporter of Foodbank, Australia's largest hunger relief organization. Our donations in 2016 provided 861,381 kilograms of food and over 1.5 million meals for those in need.

Goodman Fielder's Helga's brand joined Foodbank's "Food Fight" initiative where a donation was made to Foodbank for every loaf of bread bought.

Community support programs (Pacific Islands)

Our international operations in Fiji, Papua New Guinea and New Caledonia are all committed to supporting their local communities. In each country we partner with local aid agencies to deliver food and services to those in need. New Caledonia recently started a program with Macadam (a local charity providing food to homeless people), providing them with products from our La Biscuitière site.

Disaster response – Cyclone Winston

In February 2016, Cyclone Winston inflicted extensive damage across the Fijian Islands and killed 44 people. Roughly 40,000 homes were damaged or destroyed and approximately 40 % of Fiji's population was significantly impacted by the storm.

Backed by both First Pacific and Wilmar, Goodman Fielder supported the Fiji Government's relief program with donations of food supplies including 140 tonnes of rice, 40 tonnes of UHT milk, 12 tonnes of noodles and 30 tonnes of flour.

Three shipping containers were converted by teams at our Brisbane Bakery and Wilmar Gavlon to serve as community kitchens for villages in need. The kitchens were also stocked with donations of bedding and kitchen utensils.

The local Goodman Fielder team played an important role in the broader response, ensuring all our staff were safe, distributing food and water supplies, and providing temporary accommodation for staff who lost their houses.

The Fiji team visited heavily affected communities where they prepared hot meals and donated chicken and clothes. We also leveraged our local supply chain and expertise to deliver donated product to outer islands.

Goodman Fielder employees in all countries raised funds to help our colleagues in Fiji rebuild their homes.

Philex

Environmental Protection

Philex has been continuously proactive in environmental conservation. It maintains 3,000 hectares of reforested area with over 8 million trees of various species located within the Padcal mine site and adjacent areas.

Padcal was awarded First Place in the "2016 Adopt a Mining Forest Program," run by the Department of Environment and Natural Resources for Filipino mining companies.

Philex also maintains a bamboo plantation at its decommissioned Tailings Storage Facility 1 and plans to have experimental plots for ornamental plants as part of its Final Mine Rehabilitation and Decommissioning Plan. It manages its solid waste by strictly implementing the 'reduce, reuse and recycle' scheme, and has improved its water recycling facility. Air quality management is continuously maintained via dust collectors, scrubbers and fume hoods.

The Care and Maintenance sites in Bulawan mine in Negros Occidental and Sibutad mine in Zamboanga del Norte are continuing their projects of reforestation, agroforestry, coffee and mangrove plantations.

Community Development

Philex is guided by the principle of people empowerment and nation building in creating responsible, self-reliant and resource-based communities. It focuses its social contributions on health care, education and livelihood – all of which are supported by infrastructure projects. Socio-cultural programs for the Indigenous Peoples are incorporated in its Information, Education and Communication activities.

The host and neighbouring communities hold an annual social development planning and community forum. Community leaders facilitate the forum and the results form part of Philex's business growth initiatives to enhance conditions in their own and surrounding communities. The involvement of local government units and national government agencies ensures non-duplication of projects to achieve the maximum potential in serving the people.

From 2003 to 2016, Philex has built 51 kilometers of farm-to-market roads, 1.7 kilometers of new/improved bridges and Pesos 28 million worth of water systems. It has energized 111 households, established 17 livelihood associations and 6 cooperatives, all of which remain active, and graduated 170 college scholars.

PLP

PLP plays an active role in the Singapore community, with environmental initiatives, community clean-ups and education in environmental conservation and resource preservation. Key activities were:

Run for Hope 2016

Since 2014, PLP has supported this event, organized by the National Cancer Centre Singapore to raise support for cancer research. In 2016, 28 PLP employees participated in the run.

Singapore International World Water Day Walk-Jog-Run@Jurong Lake

PLP volunteers joined students from Yuan Ching Secondary School to help pick up litter after the Walk-Jog-Run event at Jurong Lake.

Clean-Up operations at Taman Jurong

Organized by Taman Jurong Grassroots Club, PLP staff volunteers and their families joined residents from the local community to pick up and record litter and clean common areas at public housing flats.

Coastal Clean Up at Changi Beach

An annual event organized by the International Coastal Clean Up Singapore. PLP's volunteers collected 21 kilograms of waste and litter from Changi Beach. A total of 477 kilograms were collected from 2016's cleanup effort and data was utilized to mitigate the problems of marine waste and litter.

"Food from the Heart" food donation drive for The Food Bank Singapore

A total of three boxes of non-perishable food were contributed by PLP staff to the needy in Singapore, including rice, sugar, seasoning, canned food and instant noodles.

Ernst and Young Walk for Rice

PLP had 31 staff volunteers participate in the Walk for Rice, where 1,400 people cover 7000km to raise sponsorship by NTUC Fairprice for 70,000 bowls of rice for needy Singaporean families.

Sustainable Singapore school art competition

This event, supported by the Southwest Community Development Council, promotes environmental conservation and resource preservation amongst the younger generation. The competition received over 100 creative submissions. The winning artworks were showcased in PLP's 2016 corporate calendar.

RHI

Sustainability is a vital component of RHI's operations, in its vision to be a world-class leader in the sugar industry. In 2016, RHI's social responsibility initiatives have been focused on promoting environmental stewardship, mainstreaming good agricultural practices, and maximizing the potential of sugar cane and its byproducts. RHI championed these initiatives by engaging other organizations with the same interests through the following three major programs.

Mainstreaming sustainability as a top priority

RHI partners with BPI, WWF and MUAD-Negros on Diversified Block Sugar Farming

RHI engaged with Bank of the Philippine Islands ("BPI") and World Wildlife Fund ("WWF") on "Business of Mainstreaming Sustainability". This aims to help the sugar-producing communities in furthering financial inclusion and inclusive growth by securing farmers' access to credit, providing financial education and access to new farming technologies.

From wastes to bio-fertilizers

RHI promotes the reduction of environmental impacts through greater maximization of sugar cane and production wastes. The by-products of sugar and bioethanol production are called "mudpress" and "spentwash", which are the residue from the filtration of sugar cane juice and ethanol. Both of these wastes contain insoluble salt and fine bagasse and other nutrients which can be used as fertilizers or soil conditioners to sugar cane farms.

In 2016, approximately 18,000 tons of mudpress and 30,000 tons of spentwash from our plant sites were delivered directly to farms. RHI distributes these to its cane suppliers for free. RHI believes that these efforts provide a chance to reconcile the needs of the environment and the people.

Building on sustainable partnerships

RHI's collaboration with MAP moves forward

The EMERGE Program, in partnership with the Management Association of the Philippines, ("MAP") released Pesos 300,000 to a group of smallholder cane farmers in Nasugbu, Batangas as seed money for the Napier Farming Project. The project aims to increase the income of smallholder sugar cane farmers by at least 50%. Central Azucarera Don Pedro, Inc., has included napier as a priority biofuel requirement of its mill and will be a market for the napier yields.

Corporate Governance Report

Governance Framework

First Pacific is committed to building and maintaining high standards of corporate governance. The Company's Corporate Governance Committee, comprised of a majority of Independent Non-executive Directors (INEDs) and chaired by an INED, was delegated with the responsibility for supervision of the Company's corporate governance functions, carried out a review of its corporate governance practices to ensure compliance with the Listing Rule requirements. This Committee is also tasked with the responsibility to oversee the process of Environmental, Social and Governance (ESG) reporting, in compliance with the Listing Rule requirements.

The Company has adopted its own Corporate Governance Code (the First Pacific Code), which incorporates the principles and requirements set out in the Corporate Governance Code contained in Appendix 14 of the Main Board Listing Rules (the CG Code).

Throughout the current financial year, First Pacific has applied the principles and complied with most of the Code Provisions and, where appropriate, adopted the Recommended Best Practices contained in the CG Code with the following exceptions:

Code Provision B.1.5: Issuers should disclose details of any remuneration payable to members of senior management by band in their annual reports. Recommended Best Practice B.1.8: Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports.

The Company does not disclose details of any remuneration payable to members of senior management, either by band or on an individual and named basis as a large number of the senior executives employed by the Group are employed in jurisdictions that do not require disclosure of such information. It will create inequality across the Group if only the remuneration of the senior executives at the head office is disclosed.

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

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

Code Provision C.2.5: The Issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.

The Company does not have an internal audit department. However, the Group has multiple listed companies in Philippines, Indonesia and Singapore, as well as a joint venture company in Australia, each of which has its own internal audit and/or risk management functions to monitor the internal control system for operational, financial and compliance and risk management functions. Accordingly, the Company can rely on group resources to carry out internal audit/risk management functions for members of the Group. Taking this into account, the Company does not consider it necessary to have a separate internal audit function. The Company will review the need for such function on an annual basis.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed issuers (as set out in Appendix 10 to the Listing Rules).

Having made specific enquiry of all Directors, the Company can confirm that all of the Directors have complied with the Company's Model Code for Securities Transactions by Directors throughout the year of 2016.

Directors' interest in securities of the Company and its associated corporations as at 31 December 2016 have been disclosed in the Report of the Directors as set out in this Annual Report.

Whistleblowing Policy

To promote good governance, the Company has put in place a Whistleblowing Policy, which is intended to assist employees and those who deal with the Group to disclose information relevant to any suspected misconduct, malpractice or irregularity which he/she has become aware of or genuinely suspects that the Group has been or may become involved in. Any suspected cases can be reported through a confidential reporting channel directed to the Chairman of the Audit and Risk Management Committee. The policy is regularly reviewed to ensure its effectiveness and is posted on the Company's website (www.firstpacific.com). In 2016, the Company did not receive any disclosure of information under the Whistleblowing Policy.

Board of Directors

As at the date of this Annual Report, the Board is comprised of eleven Directors, of whom three are Executive Directors, eight are NEDs of whom four are INEDs. Since four out of our current eleven-member Board are INEDs, the Company complies with the Listing Rule requirements that INEDs shall represent at least one-third of the Board. The composition of our current Board is as follows:

Non-executive Directors	Independent Non-executive Directors	Executive Directors
Anthoni Salim *(Chairman)* Term of Re-appointment: 3 June 2015 (re-elected) to 2018 AGM	**Prof. Edward K.Y. Chen,** *GBS, CBE, JP* Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	**Manuel V. Pangilinan** Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM
Benny S. Santoso Term of Re-appointment: 28 May 2014 (re-elected) to 2017 AGM	**Margaret Leung Ko May Yee,** *SBS, JP* Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	**Edward A. Tortorici** Term of Re-appointment: 3 June 2015 (re-elected) to 2018 AGM
Ambassador Albert F. del Rosario Term of Re-appointment: 30 June 2016 (re-appointed until 2017 AGM)	**Philip Fan Yan Hok** Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	**Robert C. Nicholson** Term of Re-appointment: 28 May 2014 (re-elected) to 2017 AGM
Tedy Djuhar Term of Re-appointment: 6 June 2016 (re-elected) to 2017 AGM	**Madeleine Lee Suh Shin** Term of Re-appointment: 6 June 2016 (re-elected) to 2019 AGM	

During the year, Ambassador Albert F. del Rosario (Ambassador del Rosario) was re-appointed as a Non-executive Director of the Company on 30 June 2016, replacing Mr. Napoleon L. Nazareno, who resigned as a Non-executive Director of the Company on 30 June 2016 due to personal reasons. There was no change to the composition of the Company's Board and its four Board committees.

Board Process

The Board usually meets formally at least five times a year to review operational performance and financial plans, monitors the implementation of strategy and any other significant matters that affect the operations of the Group, and approves matters specifically reserved to the Board for its decision.

Schedule for the regular Board/Board Committee meetings in each year (subject to amendment) is made available to all Directors/Board Committee members before the end of the preceding year in order to provide sufficient notice to Directors enabling them to attend. In addition, notice of at least 14 days will be given for a regular board meeting to give all Directors an opportunity to attend. For all other Board/Board Committee meetings or special meetings, reasonable notice will be given. Apart from attending the scheduled meetings, all Directors will use their best endeavors to attend ad-hoc meetings, even on short notice, either in person or by teleconference, when necessary.

Meeting agendas for regular Board meetings are set after consultation with the Chairman and the Executive Directors. All Directors are given an opportunity to include matters in the agenda. Directors have access to the advice and services of the Company Secretary to ensure that board procedures, all applicable rules and regulations, are followed. Adequate and appropriate information, in the form of agendas, board papers and related materials, are prepared and provided to the Directors prior to the scheduled dates for the Board meetings in a timely manner.

The Company installed the ICSA Software and since March 2014, it has implemented the distribution of Board/Board Committee papers through an electronic platform to those Directors who choose to access Board/Board Committee papers through the electronic platform. A reading room has been added to the platform to provide Directors with access to relevant information relating to the Company. The electronic platform ensures timely and secure provision of information to Directors, while also reducing paper usage.

Minutes of the Board/Board Committee meetings are kept by the Company Secretary. Minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Minutes of the Board/Board Committee meetings have been recorded in sufficient detail including matters considered by the Board/Board Committees, decisions reached, any concerns raised by the Directors/Board Committee members or dissenting views expressed by them. Draft and final versions of minutes of the Board/Board Committee meetings are sent to all Directors/Board Committee members for their comments and records respectively within a reasonable time after each meeting. Chairmen of the Board Committees report on important issues discussed and reviewed by the Board Committees, at each Board meeting.

In addition to the regular financial performance reports submitted to the Board at its regular meetings, the Directors also receive monthly financial and business updates with information on the Company's latest financial performance. Directors can therefore have a balanced and understandable assessment of the Company's performance, position and prospects throughout the year.

The Board reviews and evaluates its work process and effectiveness annually, with a view to identifying areas for improvement and further enhancement. The Board also regularly reviews the time commitment required from the NEDs (including the INEDs).

Under the bye-laws of the Company, a Director should not vote or be counted in the quorum in respect of any contract, arrangement, transaction or other proposal in which he/she or his/her associate(s) is/are materially interested.

Board Evaluation

For the past years, the Company had conducted self-administered annual performance evaluation of its Board in the form of a questionnaire, to be completed by each Director individually. Having conducted the exercise internally for several years, the Board had engaged Practising Governance Limited, which is an independent consultant, to carry out the forthcoming review. In addition to the benefits of independence and objectivity, the external advisor will analyze the findings in light of best practices in Hong Kong. Facilitated board discussions on the findings will also be held.

The Company believes that good corporate governance involves a strong and effective board, one that understands its role and responsibility, provides leadership and strategic guidance for the Company, establishes effective controls, oversees management and sets the Company's values and standards. In this respect, it is important to measure the effectiveness of the Board through proper board evaluation process, on a regular basis.

Attendance Records

The Board held nine meetings in 2016, of which five were scheduled physical board meetings and four were held on an ad hoc basis (by teleconference) when a Board decision is required on the major issues. The attendance records of the Board and Board Committee meetings as well as the AGM and SGM held in 2016 are shown in the following table. The overall attendance rate of Directors at Board Meetings is 87% while for the Board Committee meetings is 98%. The high attendance record at the Board and its Board Committee meetings in 2016 demonstrates Directors' strong commitment to the Company.

	Meetings held in 2016								
	Physical Board	Board via Teleconference	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Independent Board Committee	2016 AGM	SGM
Number of Meetings	5	4	2	4	2	3	3	1	1
Executive Directors									
Manuel V. Pangilinan	5/5	2/4	–	4/4	1/2	–	–	1/1	0/1
Edward A. Tortorici	5/5	2/4	–	–	–	–	–	1/1	0/1
Robert C. Nicholson	5/5	4/4	2/2#	–	2/2#	3/3	3/3#	1/1	1/1
Non-executive Directors									
Anthoni Salim	4/5	0/4	–	–	2/2	–	–	1/1	0/1
Benny S. Santoso	5/5	4/4	2/2	–	–	–	–	1/1	1/1
Napoleon L. Nazareno*1	2/2	2/2	–	–	–	–	–	0/1	N/A
Ambassador Albert F. del Rosario*2	3/3	2/2	–	–	–	–	–	N/A	0/1
Tedy Djuhar	5/5	1/4	–	–	–	–	–	0/1	0/1
Independent Non-executive Directors									
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	5/5	4/4	2/2	4/4	2/2	–	3/3	1/1	1/1
Margaret Leung Ko May Yee, *SBS, JP*	5/5	3/4	2/2	–	–	3/3	3/3	1/1	1/1
Philip Fan Yan Hok	5/5	4/4	–	4/4	2/2	3/3	3/3	0/1	1/1
Madeleine Lee Suh Shin	5/5	4/4	2/2	–	2/2	–	3/3	1/1	0/1
Average Attendance Rate	98%	73%	100%	100%	90%	100%	100%	73%	45%

\# Not a member of the respective Board Committees but attended the Committee meetings.
*1 Mr. Nazareno resigned as a Director with effect from 30 June 2016.
*2 Ambassador del Rosario was appointed as a Director with effect from 30 June 2016.

Board Diversity

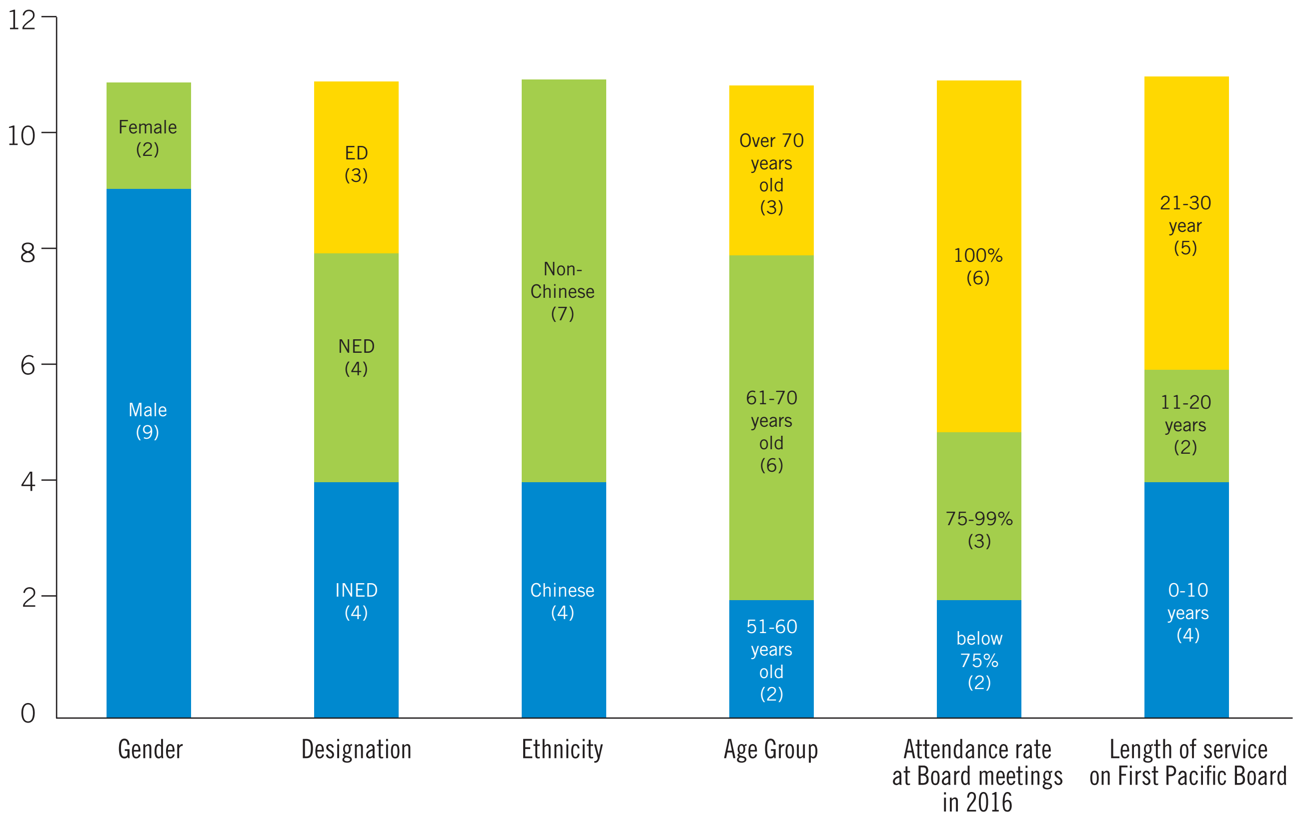
The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board has a balance of skill and experience appropriate for the requirements of the Group's businesses.

As at the date of this Annual Report, Members of the Board came from different background, with a diverse range of academic, business and professional expertise. Brief biographical information of each of our Directors is set out in the section "Board of Directors and Senior Executives" on pages 44 to 47 of this Annual Report.

The Board considers that its diversity, including gender diversity, is a vital asset to its businesses. In August 2013, the Board adopted a Board Diversity Policy, which is available on the Company's website (www.firstpacific.com) under Corporate Governance Section. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company remains committed to meritocracy in the board room, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

An analysis of the Board's current composition is set out in the following chart:

Number of Directors



The Company has maintained on its website (www.firstpacific.com) and on the designated issuer website of The Stock Exchange of Hong Kong Limited (Stock Exchange) (www.hkexnews.hk) an updated list of its Directors identifying their roles and functions and whether they are INEDs. INEDs are also identified as such in all corporate communications that disclose the names of the Company's Directors.

Chairman and Chief Executive

The roles of the Chairman and Chief Executive Officer of the Company are separate, with a clear division of responsibilities.

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

Responsibilities of Directors

The Board is responsible for the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith and in the best interests of the Company. Directors are expected to devote sufficient time and attention to performing their duties and responsibilities. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

The Executive Directors, led by the Managing Director and Chief Executive Officer, are responsible for the day-to-day management of the Company's operations. In addition, there are regular meetings with the senior management of subsidiaries, associated and joint venture companies, at which operating strategies and policies are formulated and communicated.

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

The Company has arranged Directors' and Officers' Liability Insurance for a total liability limit of US$40 million, renewable annually in May of each year. The underwriters are Berkshire Hathaway Specialty Insurance Company and AIG Insurance Hong Kong Limited, who are both specialists in the Directors' and Officers' Liability Insurance market.

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

Appointment and Re-election of Directors

The Company uses a formal, considered and transparent procedure for the appointment of new Directors. Before a prospective Director's name is formally proposed, opinions of the existing Directors (including the NEDs and INEDs) will be solicited. The proposed appointment will first be reviewed by the Nomination Committee, taking into account the balance of skills, knowledge and experience and diversity of the Board. Upon recommendation of the Nomination Committee, the proposed appointment will then be reviewed and, if thought fit, approved by the Board after due deliberation.

In accordance with the Company's bye-laws, any new Director appointed by the Board to fill a casual vacancy shall remain as a Director of the Company until the next following AGM and then he/she shall be eligible for re-election at that meeting.

On 30 June 2016, the Company re-appointed Ambassador del Rosario as a Non-executive Director of the Company to replace Mr. Napoleon L. Nazareno, who has resigned from the Board due to personal reasons. Ambassador del Rosario was appointed as an Independent Non-executive Director of the Company on 2 June 2003. He was re-designated as a Non-executive Director of the Company on 1 April 2004 and resigned on 25 March 2011 due to his appointment as Presidential Adviser on International Relations, Office of the President in February 2011 and subsequently Secretary of the Department of Foreign Affairs of the Philippines in May 2011.

In accordance with the Company's bye-laws, Ambassador del Rosario shall remain as a director of the Company until the next following annual general meeting to the Company to be held on 7 June 2017 (2017 AGM). Ambassador del Rosario will then be eligible for re-election at the 2017 AGM for a fixed term of approximately three years, commencing on the date of the 2017 AGM and expiring at the conclusion of the annual general meeting of the Company to be held in the third year following the year of his re-election (being 2020).

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

Each year, the Nomination Committee received from each of the INEDs an annual confirmation of his/her independence. The independence of the INEDs has been assessed in accordance with the guidelines set out in Rule 3.13 of the Listing Rules. As a good corporate governance practice, every Nomination Committee member abstained from assessing his/her own independence.

Following such assessment, the Nomination Committee affirmed, and the Board concurred, that all the INEDs continued to demonstrate strong independence in judgment and are free from any business or other relationship which could interfere with their ability to discharge their duties effectively, and they are therefore considered as independent. Each INED is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence. No such notification was received during 2016.

All Directors do not have any financial, business, family, or other material/relevant relationship with each other. Non-executive Directors (including INEDs) have the same duties of care and skill and fiduciary duties as Executive Directors. The biographies of the Directors are set out in the section "Board of Directors and Senior Executives" on pages 44 to 47 of this Annual Report.

Succession Planning

The Board recognizes the importance of having continuity in the senior management, maintaining leaders with appropriate skills and experience to support the delivery of the Group's strategic priorities. Senior management succession planning is a regular board agenda item to be considered by the Board.

Directors' Training

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

Further, all Directors are provided with briefings and training on an on-going basis each year to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under the applicable laws, rules and regulations. Such briefings and training are provided at the Company's expenses.

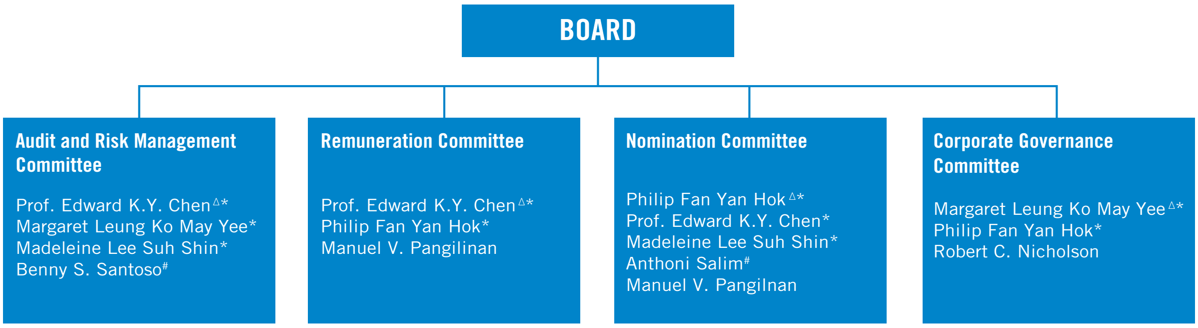
During the year, the Company arranged for a Directors' training session relating to ESG reporting, which was attended by a majority of our Directors and senior management.

Furthermore, certain Directors also attended external seminars on topics relevant to their duties as Directors, including topics such as disclosure of inside information, risk management and internal controls. The Company maintains proper records of the training provided to and received by its Directors during the year.

Board Committee

The Board has set up four Committees, namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee, in order to assist the Board in carrying out its responsibilities.

The current composition of the four Board Committees is as follows:



∆ Chairman of the Committee
* INED
\# NED

Each of these Board Committees has specific written terms of reference, which set out in detail their respective authorities and duties. Each Board Committee reviews its terms of reference and effectiveness regularly. The terms of reference of all the Board Committees have been made available on the Stock Exchange's and Company's websites. All Board Committees are comprised of a majority of INEDs and chaired by an INED. All the Board Committees report to the Board on their decisions or recommendations on a regular basis.

Audit and Risk Management Committee

The Audit and Risk Management Committee is currently comprised of four Non-executive Directors, three of whom are INEDs, with Prof. Edward Chen, who possesses appropriate professional qualifications and experience in financial matters, acting as chairman of the Audit and Risk Management Committee. This is in compliance with Rule 3.21 of the Listing Rules.

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

Members of the Audit and Risk Management Committee meet regularly with the Company's external auditors and hold separate sessions in the absence of management. The Audit and Risk Management Committee discussed the audit process and accounting issues and reviewed the effectiveness of risk management and internal control systems. Special meetings are also convened, where appropriate, to review significant financial or management issues. Minutes of the Audit and Risk Management Committee meetings are prepared with details of the matters considered and decisions reached.

During the year, the Audit and Risk Management Committee held two meetings. The attendance record of each Committee members is shown in the section headed "Attendance Records" on page 66 of this Annual Report. Major work performed by the Audit and Risk Management Committee during the year was as follows:

- reviewed the Company's annual results and financial statements for the year ended 31 December 2015 and the related documents, financial reporting and audit issues noted by the Company's external auditor;
- reviewed the Company's interim results and financial statements for the six months ended 30 June 2016 and the related documents, financial reporting and audit issues noted by the Company's external auditor;
- reviewed the revised accounting standards and prospective changes to accounting standards, and the impact on the Group's financial statements;
- conducted annual reviews of the Group's continuing connected transactions pursuant to Listing Rule requirements;
- reviewed the engagement and remuneration of the Company's external auditor, its independence and objectivity, and the effectiveness of the audit process;
- recommended the re-appointment of external auditor for shareholders' approval at the 2016 AGM;
- reviewed the adequacies of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budgets;
- exercised oversight over the Group's financial reporting system, risk management and internal control systems;
- exercised oversight over the audit and/or risk management committees of the Company's major operating companies;
- reviewed the impairment provisions relating to the investment in Philex;
- reviewed progress on the disposal by Indofood of a majority controlling interest in CMZ and the related matters;
- considered the 2016 Audit Plan for the First Pacific Group;
- considered the adoption of new terms of reference of the Audit and Risk Management Committee;
- considered the agreed–upon procedures performed by the Company's external auditor on the proposed capital reorganization regarding the transfer of credit balance from the Company's share premium account to contributed surplus account;
- reviewed the Company's Risk Matrix on a semi-annual basis; and
- reviewed the Audit and Risk Management Committee's effectiveness in discharging its role and responsibilities and made recommendation to the Board for any changes.

Remuneration Committee

The Remuneration Committee is currently comprised of a majority of INEDs, and chaired by Prof. Edward Chen, an INED. It has specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee have included the specific authorities and duties set out in paragraphs B.1.3(a) to (j) of the First Pacific Code, with appropriate modifications, where necessary.

During the year, the Remuneration Committee held four meetings. The attendance record of each Committee members is shown in the section headed "Attendance Records" on page 66 of this Annual Report. Major work performed by the Remuneration Committee during the year was as follows:

- made recommendations to the Board on the Company's policy and structure for Directors' and senior management's remuneration;
- established a formal and transparent procedure for developing remuneration policy;
- assessed the performance of Executive Directors and approved the terms of Executive Directors' service contracts;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- determined, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management;
- interim assessment of the existing 5-year cash plan for the period from 1 January 2013 to 31 December 2017;
- reviewed a new long-term incentive scheme for the period from 1 January 2016 to 31 December 2018;
- reviewed the grant of share options under the Share Option Scheme, the grant of purchase awards under the Share Award Scheme; and the grant of subscription awards under the Share Award Scheme;
- reviewed the financial performance target (based on cumulative consolidated recurring profit) for the new 3-year cash plan;
- reviewed the 2017 salary budget and 2016 annual bonus; and
- reviewed the Remuneration Committee's effectiveness in discharging its role and responsibilities and made recommendation to the Board for any changes.

Nomination Committee

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

During the year, the Nomination Committee held two meetings. The attendance record of each Committee members is shown in the section headed "Attendance Records" on page 66 of this Annual Report. Major work performed by the Nomination Committee during the year was as follows:

- reviewed the structure, size and composition of the Board;
- reviewed succession planning for the Board;
- reviewed and confirmed the independence of INEDs (details of which are set out in the section headed "Appointment and Re-election of Directors" on page 68 of this Annual Report);
- nominated the retiring Directors to stand for re-election at the 2016 AGM;
- made recommendations to the Board on the appointment or re-appointment of Directors;
- reviewed the composition and diversity of the Board and monitored the implementation of the Board Diversity Policy;
- reviewed the Nomination Committee's effectiveness in discharging its role and responsibilities and its terms of reference and made recommendation to the Board for any changes; and
- reviewed the re-appointment of Ambassador del Rosario as a NED and the resignation of Mr. Nazareno as a NED.

Corporate Governance Committee

The Corporate Governance Committee is currently comprised of a majority of INEDs, and chaired by Mrs. Margaret Leung, an INED. It has specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Corporate Governance Committee have included the specific authorities and duties set out in paragraphs D.3.3(a) to (e) of the First Pacific Code, with appropriate modifications, where necessary.

During the year, the Corporate Governance Committee held three meetings. The attendance record of each Committee members is shown in the section headed "Attendance Records" on page 66 of this Annual Report. Major work performed by the Corporate Governance Committee during the year was as follows:

- developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;
- reviewed and monitored the training and continuous professional development for Directors and senior management;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed the Company's compliance with the CG Code and disclosure in this Corporate Governance Report;
- reviewed the proposals for the appointment of an ESG consultant and monitored the progress for ESG reporting;
- reviewed the appointment of Ms. Marilyn A. Victorio-Aquino as a Chief Risk Officer of the Company and considered the terms of reference for the post;
- reviewed the Corporate Governance Committee's effectiveness in discharging its role and responsibilities and made recommendations to the Board for any changes; and
- approved the adoption of revised terms of reference and Code on Corporate Governance Practices.

Directors' Service Contract

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

Disclosure of Inside Information

The Company has put in place a framework for the disclosure of inside information, in compliance with the Securities and Futures Ordinance of Hong Kong. The framework sets out the procedures for the handling and dissemination of inside information in a timely manner so as to allow the shareholders, staff and other stakeholders to understand major developments with the Company and its major operating companies. The framework and its effectiveness are subject to review on a regular basis in accordance with the established procedures.

Financial Reporting

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

Directors' Responsibility for the Financial Statements

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

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

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

Auditor's Remuneration

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

US$ millions	2016	2015
Auditor's remuneration		
– Audit services	**4.1**	3.8
– Non-audit services(i)	**0.3**	0.6
Total	**4.4**	4.4

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

Company Secretary

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

The Company Secretary's biography is set out in the Board of Directors and Senior Management section of the 2016 Annual Report. During 2016, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge in the corporate governance field.

Constitutional Documents

During 2016, there was no change in the constitutional documents. These documents are available on the Stock Exchange's and the Company's websites.

Communications with Shareholders

Effective Communication

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

The formal channels of communicating with shareholders are the annual and interim reports, press releases, published announcements, shareholders' circulars and the AGM. The annual and interim reports seek to communicate, both to shareholders and the wider investment community, developments in the Company's businesses. All of these initiatives are designed to better inform shareholders and potential investors about the Company's activities and strategic direction.

The AGM is the principal forum for formal dialogue with shareholders. The Company's Chairman, Executive Directors, Chairmen of the Board Committees and NEDs (including INEDs), will be present at the AGM, when practicable, to answer questions from shareholders about specific resolutions being proposed at the meeting and also about the Group in general. In addition, where appropriate, the Company will convene a special general meeting (SGM) to approve transactions in accordance with the Listing Rules and the Company's corporate governance procedures. These provide further opportunities for shareholders to comment and vote on specific transactions.

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

Voting by Poll

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

At the 2016 AGM, the chairman demanded a poll on all resolutions. The procedures for demanding a poll by the shareholders were incorporated in the AGM circular sent to the shareholders in the time stipulated. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong Branch Registrar, was engaged as scrutineer to ensure the votes were properly counted.

Shareholders Communication Policy

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

Calling a Special General Meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Company, to require a SGM to be called by the Board for the transaction of any business specified in such requisition.

The requisition:

- must be in writing and state the purposes of the meeting;
- must be signed by all the Shareholders concerned;
- may consist of several documents in like form each signed by one or more Shareholders concerned; and
- may either be deposited at the principal office of the Company at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong in hard copy form or sent by email to companysecretary@firstpacific.com.

Details of the abovementioned procedures are set out in a document titled "Rights and procedures for shareholders to convene meetings/put forward proposals" which is available on the Company's website.

Putting Forward Proposals at General Meetings

Shareholders can make a request to circulate a resolution at a general meeting or circulate a statement (of not more than one thousand words) in connection with a proposed resolution or the business to be dealt with at a general meeting; the number of shareholders necessary for such requisition shall be:

(a) shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or
(b) not less than one hundred shareholders of the Company.

A copy or copies of requisition signed by all requisitionists shall be deposited, with a sum reasonably sufficient to meet the Company's expenses in giving notice of the proposed resolution or circulating any necessary statement, either at the principal office of the Company at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong in hard copy form or sent by email to companysecretary@firstpacific.com in the case of:

(a) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and
(b) any other requisition, not less than one week before the meeting.

Details of the abovementioned procedures are set out in a document titled "Rights and procedures for shareholders to convene meetings/put forward proposals" which is available on the website of the Company.

Further, a shareholder may propose a person other than a Director of the Company for election as a Director of the Company at a general meeting at which elections to the office of directors are to be considered. For such purpose, the shareholder must send to the Company's principal address (for the attention of the Company Secretary) (i) a written notice of intention to propose a resolution at the general meeting; and (ii) a notice signed by the proposed candidate of his/her willingness to be elected, together with that candidate's information as required to be disclosed under the Listing Rules and such other information as required by the Company, and his/her written consent to the publication of his/her personal data. Such notice must be sent within a period of not less than seven days before the date of the general meeting. Procedures for shareholders to propose a person for election as Directors of the Company are also available on the website of the Company.

Putting Enquiries to the Board

Shareholders may send their enquiries requiring the Board's attention to the Company Secretary at the Company's principal office located at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong in hard copy form or sent by email to companysecretary@firstpacific.com. Questions concerning the procedures for convening or putting forward proposals at an AGM or SGM may also be put to the Company Secretary in the same manner.

Continuing Connected Transactions and Connected Transactions

During the year, the INEDs agreed with the Directors in relation to the following continuing connected transactions and connected transaction and approved the disclosure of those transactions in the form of published announcements:

- 29 July 2016 announcement: following the Company's previous announcement made on 15 October 2014 relating to certain continuing connected transactions in respect of the Indofood Group's noodles business, plantations business, insurance business, distribution business, flour business, beverage business and dairy business and the respective Annual Caps for 2014, 2015 and 2016, the Annual Cap in respect of a continuing connected transaction between PT Indolakto, a subsidiary of Indofood, and PT Nippon Indosari Corpindo, an associate of Mr. Salim, has been increased from US$0.3 million to US$1.0 million as a result of expansion of the Dairy Business, thereby increasing the aggregated Annual Cap in respect of the Dairy Business Transactions relating to associates of Mr. Salim from US$6.1 million to US$6.8 million for 2016. Furthermore, PT Salim Ivomas Pratama Tbk (SIMP), a member of the Indofood Group, entered into a revolving loan agreement with the Plantation Joint Venture companies (the Borrowers) whereby SIMP would provide a revolving loan facility of up to US$40 million to the Borrowers, which are the Company's connected subsidiaries relating to the Indofood Group's plantations business, in order to finance the immediate and urgent working capital requirements of the Borrowers and to facilitate the smooth running of their operations. In compliance with the Listing Rule requirements, the Company announced the revised Annual Cap in respect of the Dairy Business Transactions relating to associates of Mr. Salim for 2016 as well as the entering into of the revolving loan agreement between SIMP and the Borrowers on 29 July 2016.

- 7 September 2016 announcement: following the Company's previous announcements made on 31 December 2014 and 16 October 2015 in relation to the possible sale of a 52.94% interest in CMZ by Indofood to China Minzhong Holdings Limited (CMZ BVI) under a binding Memorandum of Understanding (MOU), Indofood, CMZ BVI and Marvellous BVI entered into an Implementation Agreement on 6 September 2016 in relation to certain amendments to the transaction proposed under the MOU and implementation of the amended transaction. Marvellous BVI is indirectly owned as to approximately 92.99% by Mr. Anthoni Salim and as to approximately 7.01% by CMZ BVI. Mr. Salim is the Chairman of the Board, a substantial shareholder of the Company and the President Director and CEO of Indofood. Pursuant to the Implementation Agreement, Marvellous BVI would, subject to satisfaction of the Pre-Conditions, make a voluntary general offer under the Singapore Takeovers Code to acquire all the issued CMZ Shares (Offer), including all of the 543,252,517 Indofood CMZ shares (representing approximately 82.88% of the existing issued share capital of CMZ), at the Offer Price of S$1.20 (equivalent to approximately US$0.84) per CMZ Share. Marvellous BVI has stated its intention to privatize and delist CMZ, if possible, by way of voluntary general offer and compulsory acquisition of CMZ Shares not tendered for acceptance under the voluntary general offer.

- 19 October 2016 announcement: at the special general meeting of the Company held on 19 October 2016, the Company's independent shareholders approved the entering into of the Implementation Agreement and the transactions contemplated thereunder in relation to Marvellous BVI's intention to make a voluntary general offer under the Singapore Takeovers Code to acquire all the issued CMZ Shares.

- 10 November 2016 announcement: following the Company's previous announcements made on 9 December 2013, 9 May 2014, 15 October 2014, 16 October 2015 and 29 July 2016 in relation to certain continuing connected transactions (CCTs) in respect of the Indofood Group's noodles business, plantations business, distribution business, insurance policies, flour business, beverage business relating to associates of Mr. Salim, dairy business, beverage business relating to associates of Asahi Group SEA and the revolving loan facility provided to connected subsidiaries of the Company relating to the Indofood Group's plantations business, the Company announced (i) the revised Annual Caps for the year ended 31 December 2016 in respect of certain previously announced CCTs relating to the Indofood Group's distribution and dairy business transactions; (ii) a number of new CCTs (and the relevant agreements to be entered into in relation to them) to be entered into by members of the Indofood Group on 1 January 2017 to replace certain previously announced CCTs immediately following its expiry on 31 December 2016; and (iii) a number of new CCTs (and the relevant agreements to be entered into in relation to them) to be entered into by members of the Indofood Group on 1 January 2017 in relation to the Indofood Group's customer relationship management and its baby diapers business; and (iv) the renewal of 2017-2019 Annual Caps in respect of Indofood's existing CCTs.

- 5 December 2016 announcement: following the Company's previous announcement made on 10 November 2016 in relation to certain CCTs relating to the Indofood Group, due to the expansion of its Distribution Business, the amounts transacted during 2016 in respect of two Distribution Business transactions have exceeded their existing 2016 Annual Caps, while the Annual Caps for some of the other Distribution Business transactions would not be fully utilized in 2016. After undertaken a review of each individual transaction's Annual Cap for 2016 in respect of all the existing Distribution Business transactions, the Company revised certain Annual Caps to more closely reflect the projected transaction amounts for the Distribution Business transactions for the remainder of 2016, while the aggregated 2016 Annual Cap remained unchanged at US$230.0 million.

  As for the Dairy Business transactions, due to expansion of its Dairy Business, the amounts transacted during 2016 in respect of two Dairy Business transactions were higher than the respective existing Annual Caps for those transactions announced on 29 July 2016. As announced on 10 November 2016, the 2016 Annual Caps have been increased to accommodate the increase of Annual Caps for those transactions.

- 9 December 2016 announcement: following the Company's previous announcements made on 7 September 2016, 19 October 2016 and 21 October 2016 and the Company's circular dated 28 September 2016 in relation to the Implementation Agreement relating to the sale of interest in CMZ, Indofood accepted the Offer in respect of all the Indofood CMZ Shares on 7 December 2016, which Offer closed on 8 December 2016. As at the close of the Offer, Marvellous BVI has received, pursuant to the Offer, valid acceptance in respect of approximately 99.57% of the total number of issued CMZ Shares, including all the Indofood CMZ Shares.

  Settlement of the consideration in respect of the Indofood CMZ Shares tendered by Indofood in acceptance of the Offer was settled by a combination of cash in the amount of approximately S$416.4 million (equivalent to approximately US$291.0 million); and Exchangeable Bonds in the aggregate principal amount of approximately S$235.5 million (equivalent to approximately US$164.6 million). On 14 February 2017, Indofood has served an exchange notice on Marvellous BVI to exercise its exchange right to exchange all of its Exchangeable Bonds into 196,249,971 CMZ Shares (representing approximately 29.94% of the total number of issued CMZ Shares) at an exchange price of S$1.20 (equivalent to approximately US$0.84) per CMZ Share.

  Since Marvellous BVI received valid acceptance, pursuant to the Offer, in respect of not less than 90% of the total number of issued CMZ Shares, it exercised its right of compulsory acquisition to compulsorily acquire all the CMZ Shares from holders of CMZ Shares who did not accept the Offer (Dissenting Shareholders). Marvellous BVI exercised its right of compulsory acquisition on 13 February 2017 to acquire the CMZ Shares of the Dissenting Shareholders and the compulsory acquisition completed on 16 February 2017. Subsequent to such compulsory acquisition, CMZ became a wholly-owned subsidiary of Marvellous BVI and was delisted from the Official List of the Singapore Stock Exchange with effect from 9:00 a.m. (Singapore time) on 28 February 2017.

- 30 December 2016 announcement: the Company published a notice of special general meeting to be held on 23 January 2017 seeking approval from its independent shareholders in relation to the renewal of the 2017-2019 Annual Caps in respect of the Indofood Group's Noodles, Plantations and Distribution business transactions, details were set out in the Company's circular dated 30 December 2016.

- 23 January 2017 announcement: at the special general meeting of the Company held on 23 January 2017, the Company's independent shareholders approved the renewal of the 2017-2019 Annual Caps in respect of the Indofood Group's Noodles, Plantations and Distribution business transactions.

- 28 March 2017 announcement: the Company announced that Metro Pacific Tollways Development Corporation (MPTDC) acquired a 14% interest in Tollways Management Corporation (TMC) on 27 December 2016, and a further 7% interest in TMC on 27 March 2017, which, together with MPTDC's prior holding of approximately 46% interest in TMC, would confirm its existing position as a controlling shareholder of TMC holding approximately 60% of the issued share capital of TMC.

I. Details of those continuing connected transactions relating to the Indofood Group, which are required to be specified by Rule 14A.49 of the Listing Rules are set out below:

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2016 (US$ millions)
PT Indofood Sukses Makmur Tbk (ISM)/ PT Indofood CBP Sukses Makmur Tbk (ICBP)	Dufil Prima Foods PLC (Dufil), an associate of Mr. Anthoni Salim	ISM/ICBP (1) grants an exclusive licence in respect of the "Indomie" trademark in Nigeria and provides technical services in connection with instant noodle manufacturing operations in Nigeria; and (2) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products to Dufil	1 January 2014	31 December 2016	28.8
ISM/ICBP	Pinehill Arabian Food Ltd. (Pinehill), an associate of Mr. Anthoni Salim	ISM/ICBP (1) grants an exclusive licence in respect of the "Indomie", "Supermi" and "Pop Mie" trademarks in certain countries in the Middle East; (2) provides technical services in connection with instant noodle manufacturing operations in certain countries in the Middle East; and (3) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products to Pinehill	1 January 2014	31 December 2016	70.6
ISM/ICBP	Salim Wazaran Group Limited (SAWAZ), an associate of Mr. Anthoni Salim	ISM/ICBP (1) grants a non-exclusive licence in respect of the "Indomie" trademark in certain countries in the Middle East and Africa; (2) provides technical services in connection with instant noodle manufacturing operations in certain countries in the Middle East and Africa; and (3) sells and supplies ingredients, noodle seasonings and packaging used for instant noodle products to SAWAZ	1 January 2014	31 December 2016	15.9
ISM and its subsidiaries	PT Indomobil Sukses Internasional Tbk. (Indomobil) and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent cars, provide car services and sell spare parts to ISM and its subsidiaries	2 January 2014	31 December 2016	1.4
ISM and its subsidiaries	PT Sumberdaya Dian Mandiri (SDM), an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	2 January 2014	31 December 2016	–
Aggregated transaction amount					**116.7**

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2016 (US$ millions)
PT Salim Ivomas Pratama Tbk (SIMP)	PT Adithya Suramitra (ADS), an associate of Mr. Anthoni Salim	ADS grants a 20 year plus 7 months lease to SIMP for use of factory properties	1 June 1996	31 December 2016	0.6
SIMP and its subsidiaries	PT Sarana Tempa Perkasa (STP), an associate of Mr. Anthoni Salim	STP (1) provides pumping services to SIMP and its subsidiaries to load crude palm oil and other derivative products to vessels; and (2) rents office space from SIMP and its subsidiaries	1 January 2014	31 December 2016	0.6
SIMP and its subsidiaries	PT Rimba Mutiara Kusuma (RMK), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries lease heavy equipment and buy building materials; rent office space, trucks and tug boats; use transportation services; and purchase road reinforcement services from RMK	1 January 2014	31 December 2016	0.7
SIMP and its subsidiaries	IndoInternational Green Energy Resources Pte. Ltd. (IGER Group), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries provide operational services to IGER Group; sell seedlings, prefabricated housing materials and fertilizer products to IGER Group; lease office space to IGER Group; and buy palm oil and its derivatives products from IGER Group	1 January 2014	31 December 2016	32.8
ISM and its subsidiaries	PT Indotek Konsultan Utama (IKU), an associate of Mr. Anthoni Salim	IKU provides consulting services for project development to ISM and its subsidiaries	2 January 2014	31 December 2016	–
ISM and its subsidiaries	PT Lajuperdana Indah (LPI), an associate of Mr. Anthoni Salim	ISM and its subsidiaries buy sugar from LPI	1 January 2014	31 December 2016	–
SIMP	PT Fast Food Indonesia, Tbk (FFI), an associate of Mr. Anthoni Salim	SIMP sells deep fat frying oil to FFI	1 January 2014	31 December 2016	3.9
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent cars, provide car services and sell spare parts to ISM and its subsidiaries	2 January 2014	31 December 2016	2.1
SIMP	Shanghai Resources International Trading, Co. Ltd. (Shanghai Resources), an associate of Mr. Anthoni Salim	SIMP sells palm oil and its derivative products to Shanghai Resources	1 January 2014	31 December 2016	18.5
SIMP	PT Nippon Indosari Corpindo (NIC), an associate of Mr. Anthoni Salim	SIMP sells margarine to NIC	1 January 2014	31 December 2016	0.6
ISM	LPI, an associate of Mr. Anthoni Salim	ISM grants an exclusive license of its "Indosugar" trademark related to sugar to LPI	1 January 2014	31 December 2016	0.5

B. Transactions relating to the Plantations Business of the Indofood Group (continued)

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2016 (US$ millions)
PT Inti Abadi Kemasindo (IAK)	LPI, an associate of Mr. Anthoni Salim	IAK sells packaging materials to LPI	2 January 2014	31 December 2016	0.3
ISM – Bogasari Division (Bogasari)	LPI, an associate of Mr. Anthoni Salim	Bogasari provides management services to LPI	2 January 2014	31 December 2016	–
SIMP and its subsidiaries	PT Cipta Subur Nusa Jaya (CSNJ), an associate of Mr. Anthoni Salim	CSNJ rents infrastructure from SIMP and its subsidiaries	1 January 2014	31 December 2016	0.0
SIMP and its subsidiaries	PT Rumah Asri Perdanaindo (RAP), an associate of Mr. Anthoni Salim	RAP provides services to SIMP and its subsidiaries in connection with prefabricated housing	1 January 2014	31 December 2016	–
SIMP and its subsidiaries	PT Indomarco Prismatama (Indomaret), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries sell finished goods to Indomaret	2 January 2014	31 December 2016	40.9
SIMP and its subsidiaries	PT Inti Cakrawala Citra (Indogrosir), an associate of Mr. Anthoni Salim	SIMP and its subsidiaries sell finished goods to Indogrosir	2 January 2014	31 December 2016	22.8
PT Indoagri Inti Plantation (IIP)	CSNJ, an associate of Mr. Anthoni Salim	IIP rents infrastructure from CSNJ	15 October 2014	31 December 2016	0.0
PT Samudera Sejahtera Pratama (SSP)	PT Mentari Subur Abadi (MSA), an associate of Mr. Anthoni Salim	MSA leases tug boats from SSP	15 October 2014	31 December 2016	–
SIMP and its subsidiaries	MSA, an associate of Mr. Anthoni Salim	SIMP and its subsidiaries sell seedlings to MSA to be used for its operations; and lease trucks to MSA	15 October 2014	31 December 2016	0.2
Aggregated transaction amount					**124.5**

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2016 (US$ millions)
ISM and its subsidiaries	PT Asuransi Central, Asia (ACA), an associate of Mr. Anthoni Salim	ACA provides vehicle, property and other assets insurance services to ISM and its subsidiaries	1 January 2014	31 December 2016	6.3
ISM and its subsidiaries	PT Central Asia Raya (CAR), an associate of Mr. Anthoni Salim	CAR provides insurance services for personal accident and health to ISM and its subsidiaries	2 January 2014	31 December 2016	4.5
ISM and its subsidiaries	PT Indosurance Broker Utama (IBU), an associate of Mr. Anthoni Salim	IBU provides insurance services to ISM and its subsidiaries	2 January 2014	31 December 2016	0.3
Aggregated transaction amount					**11.1**

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2016 (US$ millions)
PT Indomarco Adi Prima (IAP)	PT Lion Superindo (LS), an associate of Mr. Anthoni Salim	IAP distributes various consumer products to LS	2 January 2014	31 December 2016	18.7
IAP	FFI, an associate of Mr. Anthoni Salim	IAP sells chili and tomato sauces, seasonings and dairy products to FFI	2 January 2014	31 December 2016	1.7
PT Putri Daya Usahatama (PDU)	LS, an associate of Mr. Anthoni Salim	PDU distributes various consumer products to LS	2 January 2014	31 December 2016	1.8
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consulting services to ISM and its subsidiaries	2 January 2014	31 December 2016	–
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent cars, provide car services and sell spare parts to ISM and its subsidiaries	2 January 2014	31 December 2016	3.4
PT Indofood Asahi Sukses Beverage (IASB)	FFI, an associate of Mr. Anthoni Salim	IASB sells drinking products to FFI	1 August 2012*	31 July 2017	7.5
ISM and its subsidiaries	SDM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	2 January 2014	31 December 2016	6.5
IAP	Indomaret, an associate of Mr. Anthoni Salim	IAP sells finished goods to Indomaret	2 January 2014	31 December 2016	129.7
IAP	Indogrosir, an associate of Mr. Anthoni Salim	IAP sells finished goods to Indogrosir	2 January 2014	31 December 2016	34.0
PDU	Indomaret, an associate of Mr. Anthoni Salim	PDU sells finished goods to Indomaret	2 January 2014	31 December 2016	10.5

D. Transactions relating to the Distribution Business of the Indofood Group (continued)

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2016 (US$ millions)
PDU	Indogrosir, an associate of Mr. Anthoni Salim	PDU sells finished goods to Indogrosir	2 January 2014	31 December 2016	2.6
Aggregated transaction amount					**216.4**

* PT Indofood Asahi Sukses Beverage took over this 5-year (1 August 2012 to 31 July 2017) agreement in September 2013, subsequent to PT Indofood Asahi Sukses Beverage and PT Asahi Indofood Beverage completing the acquisition of PT Prima Cahaya Indobeverage (formerly known as PT Pepsi-Cola Indobeverage). Therefore, this agreement has become a continuing connected transaction of the Indofood Group since September 2013.

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

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2016 (US$ millions)
Bogasari	NIC, an associate of Mr. Anthoni Salim	Bogasari sells flour to NIC	1 January 2014	31 December 2016	19.8
Bogasari	FFI, an associate of Mr. Anthoni Salim	Bogasari sells flour and spaghetti to FFI	1 January 2014	31 December 2016	1.0
Bogasari	PT Tarumatex (Tarumatex), an associate of Mr. Anthoni Salim	Bogasari rents warehouse from Tarumatex	1 January 2014	31 December 2016	–
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consulting services to ISM and its subsidiaries	2 January 2014	31 December 2016	0.0
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent cars, provide car services and sell spare parts to ISM and its subsidiaries	2 January 2014	31 December 2016	1.3
ISM and its subsidiaries	SDM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	2 January 2014	31 December 2016	2.6
ISM and its subsidiaries	PT Primajasa Tunas Mandiri (PTM), an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from PTM	2 January 2014	31 December 2016	2.0
Bogasari	Indogrosir, an associate of Mr. Anthoni Salim	Bogasari sells finished goods to Indogrosir	2 January 2014	31 December 2016	7.1
Aggregated transaction amount					**33.8**

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

Parties to the agreement/arrangement: Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	To	Transaction amount for the year ended 31 December 2016 (US$ millions)
IASB	SDM, an associate of Mr. Anthoni Salim	IASB uses human resources outsourcing services from SDM	2 January 2014	31 December 2016	0.1
IASB	Indomaret, an associate of Mr. Anthoni Salim	IASB sells finished goods to Indomaret	2 January 2014	31 December 2016	2.0
IASB	Indogrosir, an associate of Mr. Anthoni Salim	IASB sells finished goods to Indogrosir	2 January 2014	31 December 2016	0.2
IASB	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and its subsidiaries sell/rent vehicles, provide car services and sell spare parts to IASB	2 January 2014	31 December 2016	0.5
IASB	LS, an associate of Mr. Anthoni Salim	IASB sells drinking products to LS	2 January 2014	31 December 2016	0.0
Aggregated transaction amount					**2.8**

G. Transactions relating to the Dairy Business of the Indofood Group

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2016 (US$ millions)
ISM and its subsidiaries	IKU, an associate of Mr. Anthoni Salim	IKU provides consulting services to ISM and its subsidiaries	2 January 2014	31 December 2016	–
ISM and its subsidiaries	Indomobil and its subsidiaries, an associate of Mr. Anthoni Salim	Indomobil and it subsidiaries sell/rent cars, provide car services and sell spare parts to ISM and its subsidiaries	2 January 2014	31 December 2016	0.1
ISM and its subsidiaries	SDM, an associate of Mr. Anthoni Salim	ISM and its subsidiaries use human resources outsourcing services from SDM	2 January 2014	31 December 2016	0.8
PT Indolakto (Indolakto)	Indomaret, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to Indomaret	2 January 2014	31 December 2016	3.4
Indolakto	Indogrosir, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to Indogrosir	2 January 2014	31 December 2016	0.0
Indolakto	LS, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to LS	2 January 2014	31 December 2016	0.6
Indolakto	NIC, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to NIC	2 January 2014	31 December 2016	1.0
Indolakto	FFI, an associate of Mr. Anthoni Salim	Indolakto sells finished goods to FFI	2 January 2014	31 December 2016	0.1
Aggregated transaction amount					**5.9**

H. Transactions relating to the Beverage Business – Asahi Transactions

Parties to the agreement/arrangement: Name of entity of the group	Parties to the agreement/arrangement: Name of connected party and relationship between the parties	Nature of agreement/arrangement	Period covered by the agreement/arrangement: From	Period covered by the agreement/arrangement: To	Transaction amount for the year ended 31 December 2016 (US$ millions)
IASB	Asahi Breweries Ltd. (ABL), a substantial shareholder of the Indofood Group	Secondment agreement to assign certain Japanese employees of ABL who have certain skills and expertise to conduct beverage business	2 January 2014	31 December 2016	0.3
ISM	PT Asahi Indofood Beverage Makmur (AIBM)	AIBM rents office space from ISM	1 January 2014	31 December 2016	0.2
PT Surya Rengo Containers (SRC)	AIBM and its subsidiaries	SRC sells carton box packaging to AIBM and its subsidiaries for product packaging	2 January 2014	31 December 2016	1.9
ICBP	AIBM and its subsidiaries	ICBP sells lids to AIBM and its subsidiaries for product packaging	2 January 2014	31 December 2016	0.5
IASB and its subsidiaries	AIBM and its subsidiaries	AIBM and its subsidiaries sell drinking products to IASB and its subsidiaries	27 January 2014	31 December 2016	103.0
IASB and its subsidiaries	PT Calpis Indonesia (PTCI), a substantial shareholder of the Indofood Group	PTCI pays supply fee to IASB and its subsidiaries	1 July 2014	31 December 2016	0.2
Aggregated transaction amount					**106.1**

I. Transactions relating to the Revolving Loan Facillity of the Indofood Group

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	Transaction amount for the year ended 31 December 2016 (US$ millions)
SIMP	IGER Group, an associate of Mr. Anthoni Salim	SIMP provides a revolving loan facility to IGER Group	1 August 2016	31 December 2016	35.1
Aggregated transaction amount					**35.1**

II. Details of those continuing connected transactions entered into between Maynilad and DMCI Holdings Inc. (DMCI), which are required to be specified by Rule 14A.49 of the Listing Rules are set out below:

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	Transaction amount for the year ended 31 December 2016 (US$ millions)
Maynilad Water Services, Inc. (Maynilad)	D.M. Consunji, Inc. (Consunji), a subsidiary of DMCI	Consunji provides construction services of 50ML Sacred Heart Reservoir	17 March 2016	22 February 2017	27.0
Maynilad	Consunji	Consunji provides construction services for the production and transmission flow metering (Phase 1)	28 April 2016	8 January 2017	
Maynilad	Consunji	Consunji provides construction services in respect of the proposed 700mm Supply Improvement Pipelaying along Quirino Highway from Sacred Heart Reservoir to Crispulo, Quezon City and Caloocan City under North Caloocan Business Area	21 July 2016	17 March 2017	
Maynilad	Consunji	Consunji provides construction services in respect of the production and transmission flow metering (Phase 2a)	15 September 2016	26 January 2017	
Maynilad	Consunji	Consunji provides construction services in respect of 30ML Aguinaldo Reservoir and Pump Station	19 December 2016	4 November 2017	
Maynilad	Consunji	Consunji provides construction services in respect of the pipelaying 600mmø for reinforcement of Patindig Suction Line along Bayan Luma (HA33) in Imus, Cavite under Cavite and SMPM Business Areas	2 November 2016	6 August 2017	

II. Details of those continuing connected transactions entered into between Maynilad and DMCI Holdings Inc. (DMCI), which are required to be specified by Rule 14A.49 of the Listing Rules are set out below: (continued)

Parties to the agreement/arrangement			Period covered by the agreement/arrangement		
Name of entity of the group	Name of connected party and relationship between the parties	Nature of agreement/arrangement	From	To	Transaction amount for the year ended 31 December 2016 (US$ millions)
Maynilad	Consunji	Consunji provides construction services for the primary pipelaying of 900mmø for the Bridge Crossings along Centenial Road, Kawit Cavite	19 December 2016	7 June 2017	
Maynilad	Consunji	Consunji provides construction services for the proposed partial pipe replacements of 400SP by 400SP along Main Avenue and 400ACP by 400SP along Long Beach St. and 300ACP by 400SP along Belvedere St., Washington St., & Amsterdam St. at HS Merville in Paranaque City under Paranaque B.A.	27 December 2016	9 June 2017	
Maynilad	Consunji	Consunji provides construction services for the additional desilting works at Putatan Forebay	6 June 2016	20 September 2016	
Sub-total					**27.0**
Maynilad	DMCI Project Developers, Inc. (DMCIPD), a subsidiary of DMCI	DMCIPD makes available leases of an office unit and 12 parking units to Maynilad as its Makati Business Area Office for a period of three years from 1 February 2015 to 31 January 2018	1 February 2015	31 January 2018	0.1
Aggregated transaction amount					**27.1**

In respect of the financial year ended 31 December 2016, each of the continuing connected transactions has been subject to annual review by the INEDs of the Company pursuant to Rule 14A.55 of the Listing Rules and confirmation of the auditors of the Company pursuant to Rule 14A.56 of the Listing Rules.

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

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

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to SEHK.

Risk Management and Internal Control

As a decentralized organization in which local management have substantial autonomy to run and develop their respective company businesses, the Group views well developed reporting systems and internal controls as essential. The Board plays a key role in the implementation and monitoring of risk management and internal controls, and appointed a Chief Risk Officer to assist in overseeing the process. The responsibilities of the Board include:

- conducting regular board meetings to focus on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries, associated companies and joint venture companies, to the extent allowed under applicable law;
- approving parent company funding budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the compliance with applicable laws and regulations, and also with the First Pacific Code;
- monitoring the quality, timeliness, and content of internal and external reporting; and
- monitoring risks and the effectiveness of internal controls.

The Board is responsible for maintaining an adequate risk management and internal control systems across the Group and reviewing their effectiveness through the Audit and Risk Management Committee.

While the Company does not have an internal audit department, each of the Group's operating companies has its own internal audit and/or risk management functions responsible for the implementation of an effective risk management and internal control systems. The effectiveness of the relevant internal control system of each operating company is continuously being evaluated and enhanced by such operating company's audit committees/risk committees, which are reviewed by the Company's Audit and Risk Management Committee on a semi-annual basis.

In respect of the financial year ended 31 December 2016, the Board confirmed that it has received confirmations from the operating companies' audit committee, risk committee and/or internal auditor/chief risk officer on the effectiveness of the Group's risk management and internal control systems and that there is no significant area of concern to be disclosed.

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

Operational Controls

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

Financial Controls

- The management in each of the operating companies manages and ensures that optimal capital structure of its company is maintained. Information about the Group's capital management is set out in Note 41(A) to the Consolidated Financial Statements.
- The finance and treasury teams in each of the operating companies undertake the management of the financial risks relating to foreign exchange, interest rate, liquidity and commodity. Information about the Group's management of its financial risks is set out in the "Financial Review – Financial Risk Management" section and Note 41(B) to the Consolidated Financial Statements.

Compliance Controls

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

Risk Management

- Head Office – it has appointed a Chief Risk Officer to oversee Head Office's risk management function, in relation to its role as an investment holding and management company. The key risks which need to be managed are those risks attributable to its business plans, inherent risks of its investment portfolio, evaluation of possible acquisitions and divestments in the context of the overall investment portfolio and the risk that the Group's overall performance does not meet market expectations. A risk matrix has been developed and reviewed regularly by the Audit and Risk Management Committee and the Board on a semi-annual basis.
- To ensure effective implementation of risk management and internal control systems, risk management processes are conducted according to the operating companies' prescribed risk management policies and procedures, based on carefully defined risk management framework for the effective management of risks at all levels across all operating and functional units in the operating companies.
- Telecommunications – The PLDT Group's enterprise risk management team continuously implements its standard risk evaluation process to address the key identified risks for 2016, which mainly relate to the continued loss of Wireless market share (both in terms of subscribers and revenues), its ability to hire and retain the right kind of people, execution of network roll-out, insufficient data growth to compensate for the decline in legacy revenues, the impact of changes in political and regulatory landscape, execution of digital pivot/transformation, regular occurrence of natural disasters, dependence on vendors and exposure to financial risks. The PLDT Group is committed to pursuing measures to ensure that all these risks are effectively managed. Risk management strategies have been developed and mitigation initiatives have been put in place, such as continuing to strengthen rebranding, designing incentive programs (financial and non-financial), closer engagement with business owners, regular review of insurance coverage and related arrangements. Risk management activities are continuously monitored and reviewed to ensure that critical risks are appropriately addressed across the organization.
- Consumer food products – In order to mitigate the major risks that may potentially result in significant impact on the sustainability of Indofood's operations, such as reputational risks related to food safety issues, risks arising from raw material and commodity price fluctuations, more intense competition in its respective business, environmental risk, system and information risk, industrial relations risk, limitation of getting land rights, natural disaster and global warming. Indofood consistently ensures that raw materials for use in its products meets the requirements set by the authorities and fulfill the requirements for halal certification and implements "Good Manufacturing Practices", to ensure that products are manufactured through hygienic processing and are produced in good quality, with regular clearance test for all raw materials and packaging materials to ensure quality and safety. In order to mitigate the risk relating to fluctuations in raw material prices in the international market, Indofood has initiated strategic activities to build partnerships with farmers and suppliers, conducts raw material and selling prices simulations, develops partnership contracts with a number of domestic and foreign entities, and uses substitute raw material without reducing the quality of the final products marketed to consumers. As for rising competition, Indofood follows the dynamics of market development, introduces products that meet the needs and taste of consumers, conducts ongoing innovation to develop new leading products, maintains and improves product quality, conducts well-targeted marketing activities and implements cost efficiency programs to improve competitiveness. Indofood conducts ongoing people development and professional training programs both internally and externally. Indofood conducts reviews on protection in the event of natural disasters, ensures adequate insurance coverage and implements system of crisis management. As part of its committed efforts to the environmental sustainability, Indofood strives to adhere with prevailing government regulations related to sustainability. In addition, Indofood conducts ethical business practices throughout its business operations and concerns itself with the social aspects of sustainability, by focusing on people and community development, as well as strongly opposing child labor.

- Branded consumer foods – Goodman Fielder, through its Corporate Risk Committee, was established to assist the Board in fulfilling its responsibility to oversee the quality and effectiveness of the risk management system and framework, which set out the policy and process to be followed to enable the identification, assessment, treatment, reporting and monitoring of risks on a business and Group basis. Goodman Fielder considered the loss of private label contracts as a key risk in both the New Zealand and Australia markets, as it would significantly increase unit production costs. Currently, management is renegotiating the contracts with related parties. Other risks include achievement of group strategic objectives relating to de-risking the Australian loaf business, increasing export sales to South East Asia and to China. Goodman Fielder will have to deliver a safe, high quality, low cost, flexible supply chain, manufacturing and distribution network which aligns with its strategic objectives. The Corporate Risk Committee reports to the Board on the risks identified and the mitigation measures on a regular basis.
- Infrastructure – MPIC, through its Risk Management Committee, identifies the key potential risks specific to its businesses as operational risks, political and regulatory risks for businesses which are directly regulated by the state or any agency thereof such as: electricity distribution; water supply and distribution along with sewage treatment; tollroads and Light Rail. In order to mitigate those risks, each operating company has a full management team which is responsible for managing the risks and dedicated regulatory management groups with experienced personnel to manage the relationship with regulators, keeping management up-to-date on the status of the relationship and ensuring that companies are well prepared for any forthcoming regulatory changes or challenges, as well as adhering to the holding company's investment disciplines. Meralco manages its risk of losing customers by improving efficiencies to demonstrate that it would be uneconomical for customers to disconnect and self-generate electricity. Meralco reviews management's top business risks and discusses ongoing risk treatments. It recognizes management's short-to-medium term plans to streamline enterprise risk management integration in the annual strategic planning activities. It also institutionalizes risk management functions at the subsidiaries, and develops a risk reporting dashboard that will facilitate reporting and monitoring of top risks and mitigation plans to its Audit and Risk Management Committee.
- Maynilad manages its water supply risk by moderating its reliance on Angat dam through developing the Putatan water treatment plant to secure water supply for Maynilad. MPTC managed the risk by choosing projects carefully by reference to traffic density, competing routes, demographic changes and other relevant factors. In order to mitigate the strategic, operational and financial risks relating to Light Rail, LRMC explores the possibility of restoring certain Gen-2 trains and leasing of Dalian Trains from LRTA to compensate for the delayed arrival of JICA trains and its effect on the existing system. LRMC implements a 3-year project to repair all existing parapets and engineers to repair or replace viaduct and cable ducts. It has engaged a third party expert for stray current analysis and determination of an acceptable level.
- For the Hospitals Group, the primary risk is that investment runs ahead of demand and patient ability to pay. To address the risk, the Hospital Group will ensure that they know their target market and scale improvements towards the patients' ability to pay for hospital services.
- Electricity generation business – risk management programs are undertaken by PLP to mitigate business risks, including adverse pool price movement and oversupply in the market due to competition from other gencos; regulatory risks such as the review of vesting contract price and vesting volume, proposed establishment of an electricity futures market, and tendering out a significant portion of the vesting contract through competitive bidding; proliferation of independent retailers who bid lower than fuel cost; and market risks such as widening crackspread between Dated Brent and HSFO. PLP's Fuel Management Team has been closely monitoring the pool price movements and update its Energy Trading Committee at weekly meetings to adjust the bidding strategy into the wholesale pool and retail market. It also procures spot LNG cargo to widen PLP's gas profile and enter into paper swap to lock in crackspread at the targeted rate.
- Natural resources – Philex has undertaken a risk management program that will mitigate or eliminate identified physical, social-ecological and economic risks inherent in its mining business, thereby ensuring a productive and profitable operation. It employs a comprehensive, integrated risk management program, effected across all levels of the organization, with the goal of identifying, analyzing and managing its risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus sustain competitive advantage. As the local mining industry is heavily regulated, Philex continues to build strong working relationships with the government. It continues to engage international consultants to resolve technical issues and concerns relating to capital project execution at Padcal and Silangan. With regard to business continuity, Philex continues to maintain good relationship with regulatory agencies and to challenge the "No-Go Zone" in Benguet declared by DENR.
- Risk assessments are conducted regularly by each operating company's management team and reported to its audit and/or risk management committee and its board of directors. The audit and/or risk management committees of the operating companies meet with internal and external auditors as well as the operating companies' management teams regularly to communicate on the issues regarding the operating companies' risks in order to ensure accuracy of risk assessment reports and proper implementation of the reported risk mitigation strategies and controls.

During the year ended 31 December 2016, the Audit and Risk Management Committee reviewed and advised that:

- The risk management and internal controls systems of the Group function are effective and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication and compliant with all relevant laws and regulations.
- There are processes in place for identifying, evaluating and managing the material business risks faced by the Group. Such processes are incorporated in all the Group's businesses.
- There are adequate resources, qualified and experienced staff, training programs and budget for the Group's accounting and financial reporting function.

Remuneration Policy

Details of Directors' remuneration for the year are set out in Note 38(A) to the Consolidated Financial Statements. The remuneration of senior executives, including Directors, consists of the following:

Salary and Benefits

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

Bonus and Long-term Incentives

Bonuses are based on the achievement of individual performance targets, and normally correlate with annual profit movements. Long-term incentives comprise monetary payments, share options and/or share awards that link reward to the achievement of per-determined objectives, such as retention of key employees for the Group's operations and future development, achievement of recurring profit target. The value of the long-term incentive offered to each executive is related to job grade and contribution to the management of the business.

Fees

It is the Company's policy that it does not pay any fees to the Company's Executive Directors for attending Board or Board Committee meetings. As for the Company's NEDs (including the INEDs), they are paid at the sum of US$5,000 for each meeting of the Board or Board Committees (which he or she attends in person or by telephone conference call) and each general meeting of Shareholders (which he or she attends in person).

Pension Contributions

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

Financial Performance and Position

Analysis of Consolidated Income Statement

An analysis of the Group's 2016 reported results compared with 2015's follows.

For the year ended 31 December US$ millions	**2016**	2015 (Restated)	% change
Turnover	**6,779.0**	6,437.0	+5.3
Gross profit	**2,004.7**	1,793.3	+11.8
Operating expenses	**(1,095.1)**	(1,006.6)	+8.8
Other operating expenses, net	**(40.1)**	(139.8)	-71.3
Net finance costs	**(309.9)**	(296.6)	+4.5
Share of profits less losses of associated companies and joint ventures	**224.5**	229.7	-2.3
Taxation	**(286.3)**	(187.3)	+52.9
Profit for the year from a discontinued operation	**20.0**	26.2	-23.7
Non-controlling interests	**(414.6)**	(338.3)	+22.6
Recurring profit	**264.9**	287.5	-7.9
Profit attributable to owners of the parent	**103.2**	80.6	+28.0

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

Turnover – increased by 5.3%, mainly reflecting a growth in Indofood's sales (increased by 4.2% in rupiah terms) and MPIC's revenues (increased by 20.4% in peso terms), partly offset by a decrease in PLP's revenues (decreased by 13.1% in S$ terms) and the impact of the depreciation in the average peso exchange rate against the U.S. dollar of 4.3%. The growth in Indofood's sales mainly reflects an increase in sales volumes for all the major products at the Consumer Branded Products division and average selling prices at the Agribusiness division. The growth in MPIC's revenues mainly reflects higher traffic volumes at MPTC, an increase in revenues from both of its existing and newly-acquired hospitals, the first full year revenue contribution from its Rail business since September 2015 when MPIC took over it from the Philippine Government and an increase in billed water volume at Maynilad. The decrease in PLP's revenues mainly reflects a lower average selling price per unit of electricity sold due to intense competition, despite a higher volume of electricity generated and sold.

Gross profit – increased by 11.8%, mainly reflecting the increase in gross profit at both Indofood and MPIC, partly offset by the depreciation in the average peso exchange rate against the U.S. dollar. The increase in gross margin (2016: 29.6% vs 2015: 27.9% (Restated)) mainly reflects an increase in Indofood's gross margin (2016: 29.1% vs 2015: 26.9%) as a result of higher average selling prices at the Noodles and Agribusiness divisions, a higher sales volume at the Dairy division and lower material costs at the Bogasari division.

Operating expenses – increased by 8.8%, mainly reflecting an increase in advertising and promotions spending at Indofood and employees expenses at both Indofood and MPIC, partly offset by the depreciation in the average peso exchange rate against the U.S. dollar.

Other operating expenses, net – decreased by 71.3%, mainly reflecting a net foreign exchange gain recorded by Indofood for its foreign currency denominated net borrowings and payables in 2016 as compared to its net foreign exchange loss recorded in 2015.

Net finance costs – increased by 4.5%, mainly reflecting lower interest income at Indofood, partly offset by the deprecation in the average peso exchange rate against the U.S. dollar on the interest expenses at MPIC.

Share of profits less losses of associated companies and joint ventures – decreased by 2.3%, mainly reflecting a decrease in profit contribution from PLDT, partly offset by an increase in profit contribution from Meralco and the first full year profit contribution from Goodman Fielder.

Taxation – increased by 52.9%, mainly reflecting higher taxable profits at MPIC and Indofood. The increase in taxable profit at MPIC mainly reflects the expiry of Maynilad's income tax holiday by the end of 2015.

Profit for the year from a discontinued operation – which mainly represents CMZ's profit for the year, decreased by 23.7% principally reflecting a reduced demand for its beverage and vegetable products.

Non-controlling interests – increased by 22.6%, mainly attributable to a higher profit at Indofood's Agribusiness division as a result of its higher average selling prices and an increase in non-controlling interests' share of MPIC's profit following the Group's divestment of its interest in MPIC to GT Capital in May 2016.

Recurring profit – decreased by 7.9%, mainly reflecting a decrease in profit contribution from PLDT, partly offset by an increase in profit contributions from Indofood, Goodman Fielder and Philex.

Profit attributable to owners of the parent – increased by 28.0%, mainly reflecting a lower net foreign exchange and derivative loss recorded, partly offset by a decrease in recurring profit.

Analysis of Consolidated Statement of Financial Position

An analysis of the Group's statement of financial position at 31 December 2016 compared with 31 December 2015's follows.

At 31 December US$ millions	2016	2015 (Restated)	% change
Property, plant and equipment	**3,870.5**	3,779.2	+2.4
Associated companies and joint ventures	**4,741.5**	4,360.5	+8.7
Goodwill	**996.3**	1,023.8	-2.7
Other intangible assets	**3,338.7**	3,151.2	+6.0
Cash and cash equivalents[(i)]	**1,770.4**	1,694.0	+4.5
Assets classified as held for sale	**–**	1,062.6	–
Other assets	**2,498.0**	2,127.7	+17.4
Total Assets	**17,215.4**	17,199.0	+0.1
Borrowings	**6,108.4**	6,361.9	-4.0
Liabilities directly associated with the assets classified as held for sale	**–**	436.2	–
Other liabilities	**3,072.7**	3,066.5	+0.2
Total Liabilities	**9,181.1**	9,864.6	-6.9
Net Assets	**8,034.3**	7,334.4	+9.5
Equity attributable to owners of the parent	**3,112.0**	3,070.2	+1.4
Non-controlling interests	**4,922.3**	4,264.2	+15.4
Total Equity	**8,034.3**	7,334.4	+9.5

(i) Includes short-term deposits, pledged deposits and restricted cash

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

Property, plant and equipment – increased by 2.4%, mainly reflecting capital expenditure incurred by Indofood, MPIC and RHI, and a retranslation effect (mainly reflecting the appreciation of the closing exchange rate of the rupiah against the U.S. dollar of 2.7%, partly offset by the depreciation of the closing exchange rate of the peso against the U.S. dollar of 5.3%), partly offset by depreciation.

Associated companies and joint ventures – increased by 8.7%, mainly reflecting MPIC's acquisition of an additional 25% interest in Beacon Electric (US$549.6 million) and subscription of additional Beacon Electric preferred shares (US$73.4 million) and the Group's share of profits of PLDT, Meralco, Goodman Fielder and Philex, partly offset by the payments of dividends by the associated companies and joint ventures and a retranslation effect (mainly reflecting the depreciation of the peso).

Goodwill – decreased by 2.7%, mainly reflecting FPM Power's impairment provision for goodwill related to its investment in PLP, partly offset by provisional goodwill arising from MPIC's acquisition of a logistics business, ESTII and MVMC.

Other intangible assets – increased by 6.0%, mainly reflecting MPIC's capital expenditure for its water, toll road and rail concessions and consolidation of ESTII, partly offset by amortization and a retranslation effect (mainly reflecting the depreciation of the peso).

Cash and cash equivalents – increased by 4.5%, mainly reflecting operating cash inflows from Indofood and MPIC, net proceeds from MPIC's share placement, the Group's sale of 1.3 billion common shares in MPIC and Indofood's disposal of CMZ, partly offset by the Group's payments for new investments, capital expenditure, distributions/dividends to shareholders of the Company and non-controlling shareholders of its subsidiary companies and net debt repayments.

Assets classified as held for sale – the decrease mainly reflecting Indofood's disposal of CMZ.

Other assets – comprise biological assets, investment properties, accounts receivable, other receivables and prepayments, available-for-sale assets, deferred tax assets, other non-current assets and inventories, increased by 17.4%, mainly reflecting the exchangeable bonds received by Indofood in connection with its disposal of CMZ.

Borrowings – decreased by 4.0%, mainly reflecting Indofood's net debt repayments, partly offset by MPIC's net new borrowings for financing its investments and capital expenditure.

Liabilities directly associated with the assets classified as held for sale – the decrease reflects Indofood's disposal of CMZ.

Other liabilities – comprise accounts payable, other payables and accruals, provision for taxation, deferred liabilities, provisions and payables and deferred tax liabilities, increased by 0.2%, mainly reflecting MPIC's outstanding payable to PCEV arose during 2016 for its acquisition of a 25% interest in Beacon Electric in May 2016, partly offset by MPIC's final settlement of its remaining payable to Beacon Electric for the acquisition of a 10% interest in Meralco in April 2015.

Equity attributable to owners of the parent – increased by 1.4%, mainly reflecting the Group's net profit for 2016 (US$103.2 million) and the net credit amount recorded directly in equity in relation to the Group's divestment of interest in MPIC to GT Capital (US$96.2 million), partly offset by an unfavourable movement in the Group's exchange reserve (US$92.0 million) due mainly to the depreciation of the closing exchange rate of the peso against U.S. dollar during 2016 and the Company's payments for 2015 final dividend (US$30.2 million) and 2016 interim distribution (US$44.0 million).

Non-controlling interests – increased by 15.4%, mainly reflecting the Group's divestment of interest in MPIC and share of profits by non-controlling shareholders, partly offset by dividends paid to non-controlling interests by Indofood, MPIC and their subsidiary companies and a retranslation effect (mainly reflecting the depreciation of the peso, partly offset by the appreciation of the rupiah).

Liquidity and Financial Resources

Analysis of Consolidated Statement of Cash Flows

An analysis of the Group's 2016 consolidated statement of cash flows compared with 2015's follows.

For the year ended 31 December US$ millions	**2016**	2015	% change
Operating Activities			
Net cash flows from operating activities	**731.4**	650.0	+12.5
Investing Activities			
Dividends received	**243.2**	241.0	+0.9
Net capital expenditure	**(690.8)**	(825.8)	-16.3
Acquisitions, investments and disposals	**(340.9)**	(1,293.6)	-73.6
Financing Activities			
Net (repayment of)/new borrowings	**(154.9)**	801.9	–
Dividends paid	**(238.8)**	(292.0)	-18.2
Other financing cash flows	**628.2**	187.7	+234.7
Net Increase/(Decrease) in Cash and Cash Equivalents	**177.4**	(530.8)	–
Cash and cash equivalents at 1 January(i)	**1,450.0**	2,086.3	-30.5
Exchange translation	**(16.2)**	(105.5)	-84.6
Cash and Cash Equivalents at 31 December(i)	**1,611.2**	1,450.0	+11.1

(i) Includes short-term deposits but excludes time deposits with original maturity of more than three months for the amount at 31 December 2016. Includes short-term deposits, bank overdrafts and cash and cash equivalents attributable to a discontinued operation but excludes time deposits with original maturity of more than three months for the amounts at 1 January 2016 and 2015 and 31 December 2015

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

Net cash flow from operating activities – increased by 12.5%, mainly reflecting the increase in operating cash inflows at Indofood and MPIC, partly offset by the depreciation in the average peso exchange rate against the U.S. dollar.

Dividends received – increased by 0.9%, mainly reflecting an increase in dividend income from Meralco, partly offset by a decrease in dividend income from PLDT.

Net capital expenditure – decreased by 16.3%, mainly reflecting less payments for construction of infrastructures at MPIC and property, plant and equipment at Indofood.

Acquisitions, investments and disposals – decreased by 73.6%. 2016's net cash outflow principally relates to MPIC's partial payments to PCEV for its acquisition of an additional 25% interest in Beacon Electric (US$235.2 million) and preferred shares issued by Beacon Electric (US$121.4 million) in May 2016, payment to Beacon Electric for subscription of its new preferred shares (US$73.4 million) in May 2016, final payment for its acquisition of an additional 10% direct interest in Meralco in April 2015 (US$89.0 million) and net cash outflows for its acquisition of a logistic business (US$46.1 million), ESTII (US$36.2 million) and MVMC (US$20.1 million), partly offset by Indofood's net cash inflow from disposal of CMZ in December 2016 (US$258.7 million). 2015's net cash outflow principally relates to MPIC's partial payments to Beacon Electric for its acquisition of an additional 10% direct interest in Meralco in April 2015 and final payment for its acquisition of a 5% direct interest in Meralco in June 2014 (US$506.8 million) and acquisition of a 44.9% interest in CII B&R (US$90.4 million), the Group's increase in its effective interest in Goodman Fielder by 40.2% to 50.0% (US$423.4 million), CMZ's increased time deposits (US$175.9 million), Indofood's investment in a 100% interest in Asian Assets Management Pte. Ltd. (US$68.6 million) and RHI's investment in a 93.7% interest in SCBI (US$38.8 million).

Net borrowings – 2016's net cash outflow mainly relates to net debt repayments at Indofood mainly with the proceeds from disposal of CMZ (US$345.0 million), partly offset by net proceeds from borrowings at MPIC (US$196.9 million). 2015's net cash inflow mainly relates to net proceeds from borrowings at MPIC (US$585.9 million), Indofood (US$142.5 million), Head Office (US$49.7 million) and RHI (US$23.0 million).

Dividends paid – decreased by 18.2%. The amount represents the payments of 2015 final dividend and 2016 interim distribution by the Company to its shareholders and by its subsidiary companies to their non-controlling shareholders. The decrease mainly reflects a decrease in 2015 final dividends paid by the Company, Indofood and its subsidiary companies.

Other financing cash flows – increased by 234.7%. 2016's net cash inflow mainly relates to net proceeds from MPIC's share placement (US$460.7 million) and sale of 1.3 billion common shares in MPIC (US$168.6 million). 2015's net cash inflow mainly relates to net proceeds from MPIC's share placement (US$192.6 million) and capital contributions from non-controlling shareholders of Indofood's subsidiary companies (US$36.7 million) and MPIC's subsidiary companies (US$24.7 million), partly offset by Maynilad's payments for concession fees (US$24.0 million), the Company's payments for repurchase of its shares (US$19.0 million), IndoAgri's payments for share repurchase (US$11.3 million) and Indofood's additional investment in a 1.4% interest in IndoAgri (US$10.1 million).

Net Debt and Gearing

(A) Head Office Net Debt

The decrease in net debt principally reflects the net proceeds on sale of 1.3 billion common shares in MPIC of US$168.6 million. The Head Office's borrowings at 31 December 2016 comprise bonds of US$1,442.1 million (with an aggregated face value of US$1,450.2 million) which are due for redemption between 2017 and 2023 and a bank loan of US$317.4 million (with a principal amount of US$320 million) which is due for repayment in 2018.

Changes in Head Office Net Debt

US$ millions	Borrowings	Cash and cash equivalents[i]	Net debt
At 1 January 2016	1,789.4	(114.1)	1,675.3
Movement	(29.9)	(134.1)	(164.0)
At 31 December 2016	**1,759.5**	**(248.2)**	**1,511.3**

(i) Includes pledged deposits and restricted cash as at 31 December 2016 of US$11.7 million (2015: US$11.5 million)

Head Office Free Cash Flow[ii]

For the year ended 31 December US$ millions	**2016**	2015
Dividend and fee income	**199.7**	268.9
Head Office overhead expense	**(27.6)**	(27.6)
Net cash interest expense	**(91.7)**	(94.2)
Net Cash Inflow from Operating Activities	**80.4**	147.1
Net proceeds on sale of investment[iii]/net investments[iv]	**163.2**	(456.6)
Financing activities		
– Dividends paid	**(74.2)**	(115.5)
– (Repayment of loans)/borrowings, net	**(36.0)**	49.7
– Repurchase of shares	**–**	(19.0)
– Others	**0.5**	(0.3)
Increase/(Decrease) in Cash and Cash Equivalents	**133.9**	(394.6)
Cash and cash equivalents at 1 January	**102.6**	497.2
Cash and Cash Equivalents at 31 December	**236.5**	102.6

(ii) Excludes pledged deposits and restricted cash as at 31 December 2016 of US$11.7 million (31 December 2015: US$11.5 million and 1 January 2015: US$11.3 million).
(iii) Principally represents the net proceeds from the sale of 1.3 billion common shares in MPIC.
(iv) 2015's net investments represent principally the investments in an additional 40.2% effective interest in Goodman Fielder of US$423.4 million.

(B) *Group Net Debt and Gearing*

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

Consolidated

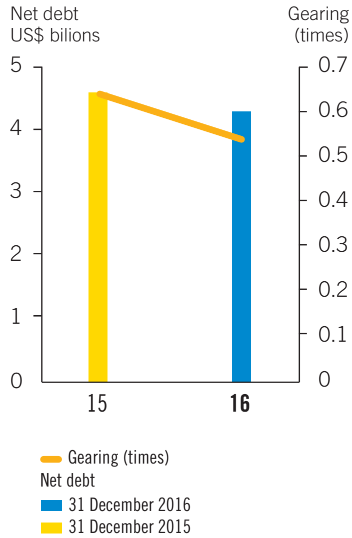
US$ millions	Net debt 2016	Total equity 2016	Gearing (times) 2016	Net debt 2015 (Restated)	Total equity 2015 (Restated)	Gearing (times) 2015 (Restated)
Head Office	**1,511.3**	**2,016.7**	**0.75x**	1,675.3	2,112.6	0.79x
Indofood	**674.3**	**3,349.2**	**0.20x**	1,053.3	3,193.7	0.33x
MPIC	**1,492.9**	**3,775.5**	**0.40x**	1,282.3	3,202.4	0.40x
FPM Power	**470.2**	**344.8**	**1.36x**	465.4	397.2	1.17x
FP Natural Resources	**189.3**	**201.2**	**0.94x**	191.6	215.0	0.89x
Group adjustments(i)	**–**	**(1,653.1)**	**–**	–	(1,786.5)	–
Total	**4,338.0**	**8,034.3**	**0.54x**	4,667.9	7,334.4	0.64x

Associated Companies and Joint Venture

US$ millions	Net debt 2016	Total equity 2016	Gearing (times) 2016	Net debt 2015	Total equity 2015	Gearing (times) 2015
PLDT	**2,942.7**	**2,183.0**	**1.35x**	2,431.7	2,420.3	1.00x
FPW	**368.6**	**952.8**	**0.39x**	336.9	972.9	0.35x
Philex	**185.4**	**470.6**	**0.39x**	182.1	579.8	0.31x

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

Net Debt and Gearing



Head Office's gearing decreased which reflects the net proceeds on sale of 1.3 billion MPIC shares.

Indofood's gearing decreased because of a decrease in its net debt, which mainly reflects its operating cash inflow and net proceeds from disposal of CMZ which have been used to repay debts, despite the appreciation of the rupiah against the U.S. dollar during the year and its payments for capital expenditure and dividends to shareholders, coupled with an increase in its equity reflecting its profit recorded during the year and the appreciation of the rupiah against the U.S. dollar.

MPIC's gearing remained unchanged, mainly reflecting a growth of its equity as a result of its share placement of US$460.7 million and profit recorded during the year, despite the depreciation of the peso against the U.S. dollar during the year, and an increase in its net debt, which mainly reflects its payments for acquisition of additional interests in Beacon Electric and Meralco, and payments for capital expenditure by Maynilad and MPTC, partly offset by the proceeds from its share placement and operating cash inflow and the depreciation of the peso against the U.S. dollar during the year.

FPM Power's gearing increased mainly because of a decrease in its equity following its loss recorded during the year, which includes an impairment provision for its investment in PLP, and the depreciation of the S$ against the U.S. dollar during the year, coupled with an increase in its net debt as a result of its operating cash outflow.

FP Natural Resources' gearing increased because of a decrease in its equity mainly reflecting its loss recorded during the year and the depreciation of the peso against the U.S. dollar, despite a decrease in its net debt as a result of the proceeds from its sale of investment in VMC, partly offset by its repayment of advances to First Pacific and RHI's payments for capital expenditure.

The Group's gearing decreased to 0.54 times which reflects an increase in the Group's equity as a result of sale of MPIC shares, MPIC's share placement, and its profit recorded during the year, coupled with a lower net debt level reflecting Indofood's net proceeds from its disposal of CMZ and Head Office's net proceeds on sale of 1.3 billion MPIC shares, despite Indofood's payments for capital expenditure and dividends and MPIC's payments for additional investments in Beacon Electric.

PLDT's gearing increased because of an increase in net debt mainly reflecting its payments for capital expenditure and its reduced equity reflecting dividends paid. FPW's gearing increased mainly reflecting an increase in its net debt reflecting its payments for capital expenditure, partly offset by its operating cash inflow, despite a growth of FPW's equity as a result of its profit recorded during the year. Philex gearing increased principally because of its reduced equity as a result of its distribution of PXP shares as a property dividend, coupled with its payments for capital expenditure.

Maturity Profile

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

Consolidated

	Carrying amounts		Nominal values	
US$ millions	**2016**	2015	**2016**	2015
Within one year	**1,280.7**	998.6	**1,283.4**	1,000.2
One to two years	**953.8**	574.1	**958.6**	578.0
Two to five years	**2,040.6**	2,513.7	**2,051.4**	2,542.2
Over five years	**1,833.3**	2,275.5	**1,839.9**	2,285.4
Total	**6,108.4**	6,361.9	**6,133.3**	6,405.8

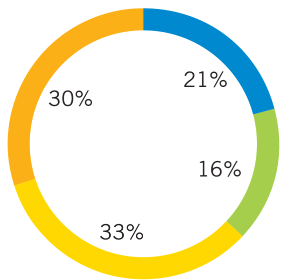
The change in the Group's debt maturity profile from 31 December 2015 to 31 December 2016 mainly reflects a shift in long-term borrowings among the different maturity periods for Indofood and MPIC, Head Office's reclassification of US$286.9 million of its bonds mature in July 2017 from long-term to short-term, Indofood's reclassification of Rupiah 2.0 trillion (US$148.8 million) of its bonds mature in May 2017 from long-term to short-term and MPIC's new long-term borrowings and repayments of short-term borrowings.

Associated Companies and Joint Venture

	PLDT				FPW				Philex			
	Carrying amounts		Nominal values		Carrying amounts		Nominal values		Carrying amounts		Nominal values	
US$ millions	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Within one year	**669.2**	359.4	**673.2**	365.7	**306.8**	122.2	**307.1**	122.2	**62.0**	70.5	**62.0**	70.5
One to two years	**294.8**	693.1	**297.3**	695.9	**0.5**	170.3	**0.5**	170.9	**–**	–	**–**	–
Two to five years	**1,216.3**	1,008.5	**1,220.9**	1,012.6	**142.7**	143.1	**143.0**	143.7	**–**	–	**–**	–
Over five years	**1,541.2**	1,357.9	**1,542.8**	1,359.0	**–**	–	**–**	–	**132.6**	133.0	**144.8**	153.0
Total	**3,721.5**	3,418.9	**3,734.2**	3,433.2	**450.0**	435.6	**450.6**	436.8	**194.6**	203.5	**206.8**	223.5

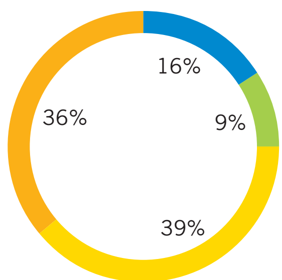
The change in PLDT's debt maturity profile from 31 December 2015 to 31 December 2016 mainly reflects new borrowings arranged to finance capital expenditure and/or refinance its loan obligations which were utilized for service improvements and expansion programs, loan repayments and reclassification of long-term borrowings to short-term. The change in FPW's debt maturity profile from 31 December 2015 to 31 December 2016 principally reflects its new short-term borrowings and reclassification of long-term borrowings to short-term. The decrease in Philex's debt mainly reflects loan repayments.

Maturity Profile of Consolidated Debt 2016



	US$ millions
Within one year	1,280.7
One to two years	953.8
Two to five years	2,040.6
Over five years	1,833.3
Total	**6,108.4**

Maturity Profile of Consolidated Debt 2015



	US$ millions
Within one year	998.6
One to two years	574.1
Two to five years	2,513.7
Over five years	2,275.5
Total	**6,361.9**

Financial Risk Management

Foreign Currency Risk

(A) Company Risk

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

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

With the exception of the Head Office, the principal components of the Group's NAV mainly relate to investments denominated in the peso and the rupiah. Accordingly, any change in these currencies, against their respective 31 December 2016 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

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

Company	Basis	Effect on adjusted NAV[(i)] US$ millions	Effect on adjusted NAV per share HK cents
PLDT	(i)	15.2	2.76
Indofood	(i)	25.9	4.72
MPIC	(i)	17.7	3.23
Philex	(i)	3.9	0.72
PXP	(i)	0.4	0.07
FP Natural Resources	(ii)	0.5	0.09
Head Office – Other assets	(iii)	1.0	0.19
Total		**64.6**	**11.78**

(i) Based on quoted share prices at 31 December 2016 applied to the Group's economic interests
(ii) Based on quoted share prices of RHI at 31 December 2016 applied to the Group's effective economic interest and the value of other assets measured at cost
(iii) Based on the investment cost in SMECI's convertible notes

(B) Group Risk

The results of the Group's operating entities are denominated in local currencies, principally the peso, the rupiah, A$, the New Zealand dollar (NZ$) and S$, which are translated and consolidated to give the Group's results in U.S. dollars.

Net Debt by Currency

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

Consolidated

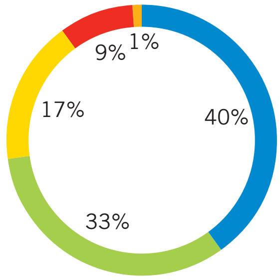
US$ millions	US$	Peso	Rupiah	S$	Others	Total
Total borrowings	2,417.9	2,035.3	1,049.1	521.7	84.4	**6,108.4**
Cash and cash equivalents[i]	(542.8)	(478.7)	(696.9)	(47.0)	(5.0)	**(1,770.4)**
Net Debt	1,875.1	1,556.6	352.2	474.7	79.4	**4,338.0**
Representing:						
Head Office	1,525.6	(11.2)	–	–	(3.1)	**1,511.3**
Indofood	288.6	–	352.2	(7.2)	40.7	**674.3**
MPIC	73.7	1,377.3	–	–	41.9	**1,492.9**
FPM Power	(11.6)	–	–	481.9	(0.1)	**470.2**
FP Natural Resources	(1.2)	190.5	–	–	–	**189.3**
Net Debt	1,875.1	1,556.6	352.2	474.7	79.4	**4,338.0**

Associated Companies and Joint Venture

US$ millions	US$	Peso	NZ$	A$	Others	Total
Net Debt						
PLDT	810.9	2,135.8	–	–	(4.0)	**2,942.7**
FPW	141.0	(1.2)	156.0	103.2	(30.4)	**368.6**
Philex	56.4	129.0	–	–	–	**185.4**

(i) Includes short-term deposits, pledged deposits and restricted cash

Analysis of Total Borrowings by Currency



	US$ millions
US$	2,417.9
Peso	2,035.3
Rupiah	1,049.1
S$	521.7
Other	84.4
Total	**6,108.4**

Details of changes in Head Office net debt are set out on page 94.

PLDT carries U.S. dollar debts primarily because international vendors of telecommunications equipment quote prices and require payment in U.S. dollars. In addition, large funding requirements often cannot be fully satisfied in local currency due to inherent constraints within the financial markets in the Philippines. As a result, certain financing needs to be sourced from the international capital market, principally in U.S. dollars. PLDT has actively hedged approximately 56% of its U.S. dollar net borrowings. In addition, certain revenues of PLDT are either denominated in, or linked to, the U.S. dollar. In addition, under certain circumstances, PLDT is able to adjust the rates for its fixed line service by one per cent for every Peso 0.1 change in the U.S. dollar to peso exchange rate.

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

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

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

US$ millions	Total for US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% change in currency	**Group net profit effect**
Head Office[(i)]	1,525.6	–	1,525.6	–	**–**
Indofood	288.6	–	288.6	2.9	**1.1**
MPIC	73.7	–	73.7	0.7	**0.2**
FPM Power	(11.6)	–	(11.6)	(0.1)	**–**
FP Natural Resources	(1.2)	–	(1.2)	–	**–**
PLDT	810.9	(451.6)	359.3	3.6	**0.6**
FPW	141.0	(142.8)	(1.8)	–	**–**
Philex	56.4	–	56.4	0.6	**0.2**
Total	**2,883.4**	**(594.4)**	**2,289.0**	**7.7**	**2.1**

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

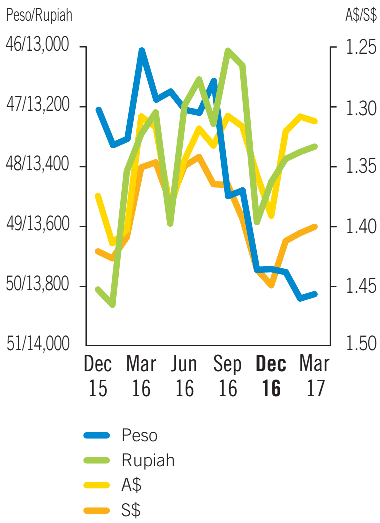
Equity Market Risk

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

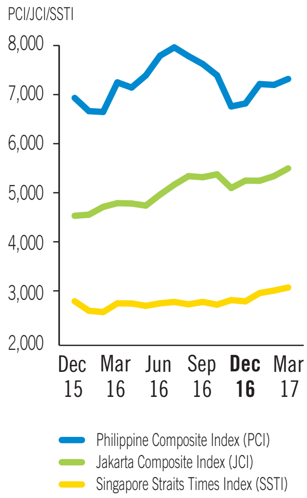
First Pacific's listed investments are located in the Philippines, Indonesia and Singapore. Accordingly, in addition to operating factors within the Company's control, the Company also has an equity market risk in respect of general investor sentiment towards these countries. Changes in the stock market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

	Philippine Composite Index	**Jakarta Composite Index**	**Singapore Straits Times**
At 31 December 2015	6,952	4,593	2,883
At 31 December 2016	**6,841**	**5,297**	**2,881**
Decrease during 2016	-1.6%	+15.3%	-0.1%
At 28 March 2017	7,331	5,541	3,158
Increase during 1 January 2017 to 28 March 2017	+7.2%	+4.6%	+9.6%

Peso, Rupiah, Australian Dollars and Singapore Dollars Closing Rates against the U.S. Dollars



Stock Market Indices



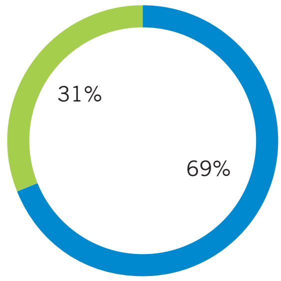
Interest Rate Risk

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

Consolidated

US$ millions	Fixed interest rate borrowings(i)	Variable interest rate borrowings(i)	Cash and cash equivalents(ii)	**Net debt(ii)**
Head Office	1,442.1	317.4	(248.2)	**1,511.3**
Indofood	297.2	1,371.6	(994.5)	**674.3**
MPIC	1,829.2	122.0	(458.3)	**1,492.9**
FPM Power	497.5	24.2	(51.5)	**470.2**
FP Natural Resources	127.9	79.3	(17.9)	**189.3**
Total	**4,193.9**	**1,914.5**	**(1,770.4)**	**4,338.0**

Interest Rate Profile



	US$ millions
Fixed	4,193.9
Varibale	1,914.5
Total	**6,108.4**

Associated Companies and Joint Venture

US$ millions	Fixed interest rate borrowings(i)	Variable interest rate borrowings(i)	Cash and cash equivalents(ii)	**Net debt**
PLDT	3,412.2	309.3	(778.8)	**2,942.7**
FPW	142.8	307.2	(81.4)	**368.6**
Philex	132.6	62.0	(9.2)	**185.4**

(i) Reflects certain interest rate swap agreements which effectively changed variable interest rate borrowings to fixed interest rate borrowings at FPM Power, PLDT and FPW

(ii) Includes short-term deposits, pledged deposits and restricted cash

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

US$ millions	Variable interest rate borrowings	Profit effect of 1% change in interest rates	**Group net profit effect**
Head Office	317.4	3.2	**3.2**
Indofood	1,371.6	13.7	**5.1**
MPIC	122.0	1.2	**0.4**
FPM Power	24.2	0.2	**0.1**
FP Natural Resources	79.3	0.8	**0.2**
PLDT	309.3	3.1	**0.5**
FPW	307.2	3.1	**1.1**
Philex	62.0	0.6	**0.2**
Total	**2,593.0**	**25.9**	**10.8**

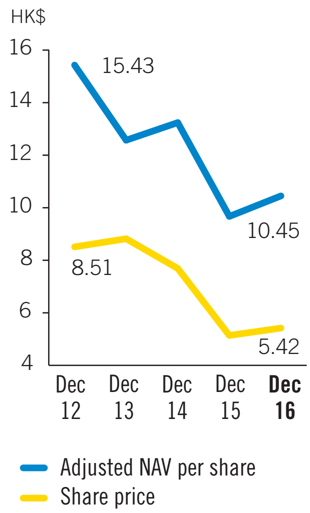
Adjusted NAV Per Share

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

At 31 December US$ millions	Basis	2016	2015
PLDT	(i)	**1,516.7**	2,418.3
Indofood	(i)	**2,593.0**	1,649.1
MPIC	(i)	**1,771.2**	1,604.7
Philex	(i)	**394.6**	213.3
PXP	(i)	**37.0**	5.5
FPW	(ii)	**554.0**	554.0
FPM Power	(iii)	**230.0**	335.3
FP Natural Resources	(iv)	**50.1**	79.4
Head Office – Other assets	(v)	**101.4**	107.1
– Net debt		**(1,511.3)**	(1,675.3)
Total Valuation		**5,736.7**	5,291.4
Number of Ordinary Shares in Issue (millions)		**4,281.7**	4,268.5
Value per share – U.S. dollars		**1.34**	1.24
– HK dollars		**10.45**	9.67
Company's closing share price (HK$)		**5.42**	5.14
Share price discount to HK$ value per share (%)		**48.1**	46.8

(i) Based on quoted share prices applied to the Group's economic interests
(ii) Represents investment costs
(iii) Represents carrying amounts at 31 December 2016 and investment costs at 31 December 2015
(iv) Mainly represents RHI (based on quoted share price applied to the Group's effective economic interest) and the Group's economic interest in other assets (measured at cost)
(v) Represents investment costs in SMECI's convertible notes

Share Price vs Adjusted NAV Per Share



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

Contents

Report of the Directors

The Directors present their report and the audited financial statements of First Pacific Company Limited (the Company) and its subsidiary companies (together, the Group) (the Consolidated Financial Statements) for the year ended 31 December 2016.

Principal Business Activities, Geographical Market Analysis of Operations and Business Review

First Pacific Company Limited is a Hong Kong-based investment management and holding company with operations located in Asia-Pacific. Its principal business interests relate to telecommunications, consumer food products, infrastructure and natural resources. During the year, there were no significant changes in the nature of the Group's principal business activities.

An analysis of the Group's turnover and operating segmental information for the year is set out in Note 4 to the Consolidated Financial Statements, and a summary of its principal investments is set out on pages 237 and 238.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business and the Group's environmental policies and performance, can be found in the "Review of Operations", "Chairman's Letter", "Managing Director and Chief Executive Officer's Letter", "Corporate Social Responsibility Report" and "Corporate Governance Report" sections set out on pages 8 to 43 and pages 51 to 89 of this annual report. This discussion forms part of this Report of the Directors.

Incorporation

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

Share Capital, Shares Held for Share Award Scheme and Share Options

Details of movements in the Company's share capital, shares held for share award scheme and share options issued by the Company during the year, together with their reasons, are set out in Notes 30, 31 and 38(D)(a) to the Consolidated Financial Statements.

Reserves

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Financial Statements on page 117 and page 233, respectively.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 December 2016, the Company repurchased US$12.5 million (2015: Nil) of the US$300 million 7.375% Guaranteed Bonds due July 2017 issued by its subsidiary company, FPMH Finance Limited (the 2017 Bonds), at an aggregate consideration of US$13.3 million (2015: Nil), US$4.6 million (2015: Nil) of the US$400 million 6.375% Guaranteed Bonds due September 2020 issued by its subsidiary company, FPT Finance Limited (the 2020 Bonds), at an aggregate consideration of US$5.1 million (2015: Nil) and US$17.0 million (2015: US$15.7 million) of the US$400 million 4.5% Guaranteed Bonds due April 2023 issued by its subsidiary company, FPC Treasury Limited, at an aggregate consideration of US$17.6 million (2015:US$15.8 million). These bonds were subsequently cancelled. Further details of these transactions are set out in Notes 27(A)(a) and 27(C)(a) and (c) to the Consolidated Financial Statements.

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

Results and Appropriations

The consolidated profit of the Group for the year ended 31 December 2016 and the Group's financial position at that date are set out in the Consolidated Financial Statements on pages 114 to 233.

An interim distribution of HK8.00 cents (U.S. 1.03 cents) (2015: HK8.00 cents or U.S. 1.03 cents) per ordinary share, totaling HK$343.2 million (US$44.0 million) (2015: HK$343.2 million or US$44.0 million), was paid on 20 September 2016. The Directors recommended the payment of a final distribution of HK5.50 cents (U.S. 0.71 cents) (2015: HK 5.50 cents or U.S. 0.71 cents) per ordinary share, totaling HK$234.8 million (US$30.1 million) (2015: HK$235.6 million or US$30.2 million). The total distribution per ordinary share for 2016 equals to HK 13.50 cents (U.S. 1.74 cents) (2015: HK 13.50 cents or U.S. 1.74 cents), totaling HK$578.0 million (US$74.1 million) (2015: HK$578.8 million or US$74.2 million).

Charitable Contributions

The Group made charitable contributions totaling US$30.0 million in 2016 (2015: US$33.9 million).

Property, Plant and Equipment

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

Borrowings

Details of the borrowings of the Group are provided in Note 27 to the Consolidated Financial Statements.

Distributable Reserves

At 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) amounted to US$1,915.0 million (2015: US$229.4 million). The Company's contribution surplus account, in the amount of US$1,915.0 million (2015: US$173.8 million), and share premium account, in the amount of US$5.3 million (2015: US$1,779.7 million), may be distributed in the form of fully paid bonus shares.

Pre-emptive Rights

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

Directors

The names and biographical details of the Directors of the Company who held office at 31 December 2016 are set out on pages 44 to 47. Details of the remuneration policy and other details are provided in the Corporate Governance Report on page 89 and Note 38(A) to the Consolidated Financial Statements, respectively.

Interests of Directors in the Company and its Associated Corporations

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (SFO)) which (a) were recorded in the register required to be kept under section 352 of Part XV of the SFO; or (b) were notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company (Model Code) were as follows:

(A) Long Positions in Shares in the Company

Name	Ordinary shares	Approximate percentage of issued share capital (%)	Ordinary share options
Anthoni Salim	1,925,474,957(C)(i)	44.97	–
Manuel V. Pangilinan	67,293,078(P)(ii)	1.57	25,224,972
Edward A. Tortorici	35,702,149(P)	0.83	20,573,666
Robert C. Nicholson	3,983,595(P)(iii)	0.09	27,632,368
Benny S. Santoso	446,535(P)(iv)	0.01	4,934,412
Ambassador Albert F. del Rosario	1,722,231(P)(v)	0.04	–
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	1,791,908(P)(vi)	0.04	4,502,790
Margaret Leung Ko May Yee, *SBS, JP*	1,131,652(P)(vii)	0.03	1,812,887
Philip Fan Yan Hok	1,131,652(P)(viii)	0.03	1,812,887
Madeleine Lee Suh Shin	893,070(P)(ix)	0.02	–

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

(i) Anthoni Salim indirectly owns 100% of First Pacific Investments (B.V.I.) Limited, his indirect interests in First Pacific Investments (B.V.I.) Limited are held through Salerni International Limited (a company of which Anthoni Salim directly holds 100% of the issued share capital). First Pacific Investments (B.V.I.) Limited and Salerni International Limited are interested in 633,186,599 shares and 502,058,994 shares respectively in the Company. Anthoni Salim also owns 82.55% of First Pacific Investments Limited which, in turn, is interested in 790,229,364 shares in the Company. Of this, 4.04% is held by Anthoni Salim directly, 18.9% by Salerni International Limited and 59.61% by Asian Capital Finance Limited (a company in which Anthoni Salim owns 100% share interests). The remaining 17.45% interest in First Pacific Investments Limited is owned as to 12.12% by Sutanto Djuhar (a former Non-executive Director of the Company), 4.04% by Tedy Djuhar (a Non-executive Director of the Company) and 1.29% by a company controlled by the estate of the late Mr. Ibrahim Risjad (a former Non-executive Director of the Company).

(ii) It included Mr. Pangilinan's interests in 5,147,048 awarded shares granted pursuant to the Company's Share Award Scheme as adopted by the Board on 19 March 2013 (the Share Award Scheme) which remain unvested, and interests in 29,033,817 shares transferred to certain family trusts.

(iii) It included Mr. Nicholson's interests in 3,082,903 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(iv) It represented Mr. Santoso's interests in 446,535 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(v) It included Ambassador del Rosario's interests in 893,070 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(vi) It included Prof. Chen's interests in 988,504 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(vii) It included Mrs. Leung's interests in 988,504 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(viii) It included Mr. Fan's interests in 988,504 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(ix) It represented Ms. Lee's interests in 893,070 awarded shares granted pursuant to the Company's Share Award Scheme which remain unvested.

(B) Long Positions in Shares in Associated Corporations

- Manuel V. Pangilinan owned 28,092,404 common shares(P) (0.09%)* (which included 2,500,000 unvested stock grant) and 2,000,000 share options in MPIC, 234,033 common shares(P) (0.11%)* in PLDT as beneficial owner and a further 15,417 common shares (less than 0.01%)* in PLDT as nominee, 4,655,000 common shares(P) (0.09%)* in Philex, 1,603,465 common shares(P) (0.09%)* in PXP, 40,000 common shares(P) (less than 0.01%)* in Meralco, as well as 61,547 common shares(P) (less than 0.01%)* and 500,000 share options in RHI.

- Edward A. Tortorici owned 69,596 common shares(C) and 10,660,000 common shares(P) (collectively 0.03%)* and 5,000,000 share options in MPIC, 104,874 common shares(P) (0.05%)* in PLDT, 3,285,100 common shares(P) (0.07%)* and 1,515,000 share options in Philex, 494,233 common shares(P) (0.03%)* in PXP as well as US$600,000 of bonds due 2019 issued by FPC Finance Limited, which is a wholly-owned subsidiary of the Company.

- Robert C. Nicholson owned 1,250 common shares(P) (less than 0.01%)* in Philex, 357 common shares(P) (less than 0.01%)* in PXP, 5,000,000 share options and 600,000 common shares (less than 0.01%)* (which represented 600,000 unvested stock grant) in MPIC, as well as US$400,000 of bonds due 2017 issued by FPMH Finance Limited, US$600,000 of bonds due 2019 issued by FPC Finance Limited and US$200,000 of bonds due 2020 issued by FPT Finance Limited, all of which are wholly-owned subsidiaries of the Company.

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

- Anthoni Salim owned 1,329,770 ordinary shares(P) (0.02%)* in Indofood and an indirect interest of 4,396,103,450 Indofood shares (50.07%)* through the Company's group companies, a direct interest of 2,007,788 shares(C) (0.14%)* in IndoAgri through his controlled corporations other than the Company and an indirect interest of 1,037,760,830 IndoAgri shares (74.34%)* through the Company's group companies and a direct interest of 20,483,364 shares (0.13%)* in SIMP through his controlled corporations other than the Company and an indirect interest of 12,471,746,400 SIMP shares (80.46%)* through the Company's group companies.

- Ambassador Albert F. del Rosario owned 1 common share(P) in personal capacity and 142,409 common shares(P) under joint names (collectively 0.07%)* in PLDT, 2,050,000 common shares(P) (which included 600,000 unvested stock grant) in personal capacity and 11,516,624 common shares(P) under joint names (collectively 0.04%)* in MPIC, 100 common shares(P) in personal capacity and 675,000 common shares(P) under joint names (collectively 0.01%)* in Philex, 28 common shares(P) in personal capacity and 187,650 common shares(P) under joint names (collectively 0.01%)* in PXP, 25,700 common shares(P) in personal capacity and 474,640 common shares(P) under joint names (collectively 0.04%)* in Meralco, as well as US$200,000 of bonds due 2019 issued by FPC Finance Limited and US$200,000 of bonds due 2020 issued by FPT Finance Limited, both of which are wholly-owned subsidiaries of the Company.

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

* Approximate percentage of the issued capital of the respective class of shares in the respective associated corporations as at 31 December 2016.

Save for those disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had any interests or short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

Interests of Substantial Shareholders in the Company

The interests and short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2016 as recorded in the register required to be kept under Section 336 of the SFO are set out below:

(a) Salerni International Limited (“Salerni”), which was incorporated in the British Virgin Islands, was interested in 1,135,245,593 ordinary shares of the Company at 31 December 2016, representing approximately 26.51% of the Company’s issued share capital at that date, by way of 502,058,994 ordinary shares of the Company held, representing approximately 11.73% of the Company’s issued share capital at that date and also its 100% interest in First Pacific Investments (B.V.I.) Limited (“FPIL-BVI”). Anthoni Salim, Chairman of the Company, beneficially owns the entire issued share capital of Salerni and, accordingly, is taken to be interested in the shares owned by Salerni.

(b) Asian Capital Finance Limited (“ACFL”), which was incorporated in the British Virgin Islands, was interested in 790,229,364 ordinary shares of the Company at 31 December 2016, representing approximately 18.46% of the Company’s issued share capital at that date, by way of its 59.61% interest in First Pacific Investments Limited (“FPIL-Liberia”). Anthoni Salim, Chairman of the Company, beneficially owns the entire issued share capital of ACFL and, accordingly, is taken to be interested in the shares owned by ACFL.

(c) FPIL-Liberia, which was incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at 31 December 2016, representing approximately 18.46% of the Company’s issued share capital at that date. FPIL-Liberia is owned by Salerni, ACFL, Anthoni Salim (Chairman of the Company), Tedy Djuhar (a Non-executive Director of the Company), Sutanto Djuhar (a former Non-executive Director of the Company) and a company controlled by the estate of the late Ibrahim Risjad (a former Non-executive Director of the Company), in the proportion specified in note (i) of the table on page 105. Anthoni Salim, Chairman of the Company, is taken to be interested in the shares owned by FPIL-Liberia.

(d) FPIL-BVI, which was incorporated in the British Virgin Islands, beneficially owned 633,186,599 ordinary shares at 31 December 2016, representing approximately 14.79% of the Company’s issued share capital at that date. Anthoni Salim, Chairman of the Company, indirectly owns the entire issued share capital of FPIL-BVI and, accordingly, is taken to be interested in the shares owned by FPIL-BVI.

(e) Lazard Asset Management LLC (“Lazard”), a United States incorporated company, notified the Company that it held 298,073,249 ordinary shares of the Company at 5 April 2016, representing approximately 6.98% of the Company’s issued share capital at that date. At 31 December 2016, the Company has not received any other notification from Lazard of any change to such holding.

(f) Brandes Investment Partners L.P. (“Brandes”), a United States incorporated company, notified the Company that it held 339,824,436 ordinary shares of the Company at 12 July 2016, representing approximately 7.95% of the Company’s issued share capital at that date. At 31 December 2016, the Company has not received any other notification from Brandes of any change to such holding.

Other than as disclosed above, the Company had not been notified of any person (other than Directors or chief executive of the Company) at 31 December 2016 who had an interest or short position in the shares or underlying shares of the Company to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

Transactions, Arrangements or Contracts of Significance

Except for the continuing connected transactions and connected transactions set out in the Corporate Governance Report on pages 75 to 85, there were no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or its subsidiary companies were parties, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

None of the Directors nor a connected entity of a Director had any direct or indirect interest in any assets which have been acquired, disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiary companies at the end of the year or at any time during the year.

Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed under the heading "Interests of Directors in the Company and its Associated Corporations" above, "Shares Held for Share Award Scheme" and "Share Options" in Notes 31 and 38(D)(a) to the Consolidated Financial Statements, at no time during the year was the Company or any of its subsidiary companies a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors of the Company or their spouses or minor children had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Summary Financial Information

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

Major Customers and Suppliers

In 2016, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year, whereas purchases from the Group's five largest suppliers accounted for 33% (2015: 34%) of the total purchases for the year of which purchases from the largest supplier included therein accounted for 27% (2015: 30%) of the total purchases.

Continuing Connected Transactions and Connected Transactions

Continuing connected transactions and connected transactions required to be disclosed in accordance with Chapter 14A of the Listing Rules, are disclosed in the Corporate Governance Report on pages 75 to 85.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public at both 31 December 2016 and the date of this report.

Directors' and Officers' Liability Insurance

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

Employment Policy

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

Auditor

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

On behalf of the Board of Directors

Nancy L.M. Li
Company Secretary

Hong Kong
28 March 2017

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of First Pacific Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 233, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill, intangible assets with indefinite useful life and concession assets not yet available for use (collectively, the "Intangible Assets")	
The Intangible Assets and their carrying amounts were allocated to the Group's respective cash-generating units ("CGUs") for impairment testing. Impairment is determined by assessing the recoverable amount of the CGU to which each of the Intangible Assets relates and whether the recoverable amount of the CGU is less than the carrying amount. For the year under review, the recoverable amounts of respective CGUs have been determined based on value-in-use calculations using cash flow projections specific to each CGU and applying discount rates which reflect specific risks relating to the relevant CGUs. The impairment testing of the Intangible Assets required management to make significant assumptions and estimates that would affect the reported amounts of the Intangible Assets and related disclosures in the consolidated financial statements. Related disclosures are included in notes 3, 15 and 16 to the consolidated financial statements.	We evaluated management's assessment of impairment of the Intangible Assets. Our audit procedures included evaluating the methodologies, assumptions and estimates used by the Group. In particular, for each relevant CGU, we assessed the historical accuracy of the prior years' assumptions and estimates, and obtained an understanding of current and expected future developments of the Group and its environment. Certain key assumptions, including discount rate, expected market development and long term growth rates, were assessed with the assistance from our valuation experts with relevant expertise and with external information sources. We also evaluated the management's assessment about the reasonably possible change in the relevant key assumptions.
Adoption of new and revised HKFRS – Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants	
As of 1 January 2016, the Amendments to HKAS 16 and HKAS 41 *Agriculture: Bearer Plants* became effective. Under the amendments, biological assets that meet the definition of bearer plants are no longer within the scope of HKAS 41. Instead, such bearer plants are now within the scope of HKAS 16 and has to be measured at accumulated cost (before maturity) and using the cost model after maturity. This resulted in the restatement of comparatives made to account balances associated with the Group's plantation assets. The amendments require management to measure bearer plants and agricultural produce separately by tracking the cost of bearer plants and measuring the fair value of the agricultural produce using appropriate fair value measurement methodologies. These measurements of both the cost of bearer plants and the fair value of the agricultural produce required management to make significant assumptions and estimates that would affect the reported amounts of biological assets, property, plant and equipment, and related disclosures in the consolidated financial statements. Management used external valuers to support its measurement for the timber plantations and the sugar cane. Related disclosures are included in notes 2(B) and 3 to the consolidated financial statements.	We obtained an understanding of management's process for separating bearer plants from their agricultural produce and considered the objectivity, independence and expertise of the external valuer. With respect to bearer plants, we obtained an understanding of management's identification of the costs that can be capitalized for bearer plants and validated the cost amounts to supporting documents on a sampling basis. For agricultural produce, we obtained an understanding of management's fair value measurement methodologies, primarily the income approach using discounted cash flow models used to measure the fair value of these produce and involved our valuation experts to assist us in the assessment of the significant assumptions, including the projected selling prices and production yields for all produce, discount rate, inflation rate and exchange rates for sugar cane and timber, used in the valuation. We further reviewed the actual harvest data subsequent to year end to assess the quantities applied by management in deriving the fair value of unharvested produce at year end. We also assessed the adequacy of the disclosures related to the adoptions of these amendments in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Amortization of concession assets using unit-of-production method	
The concession assets of the Group which were amortized using the unit-of-production method relate to toll roads and certain water distribution businesses. The amortization of toll road concession assets was based on the ratio of actual traffic volume to the total expected traffic volume of the underlying toll roads over the remaining concession period, while the amortization of the water distribution concession assets was based on actual billed volume over the estimated billable water volume for the period over which the concession agreement is in force. The amortization method required management to make significant estimates on estimating the total expected volume of traffic and total estimated volume of billable water over the period for which the corresponding concession assets were in force. These estimates affect the reported amount of amortization expenses and related disclosures in the consolidated financial statements. Related disclosures are included in notes 3 and 16 to the consolidated financial statements.	We evaluated management's schedule of amortization of concession assets and related assumptions and estimates used by the Group by making reference to industry data and information related to the estimated total traffic, billable water volume, historical traffic and billed water volume.

Other Information Included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report (continued)

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Samuel Yuen Ka Cheong.

ERNST & YOUNG
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 March 2017

Consolidated Financial Statements

Consolidated Income Statement

For the year ended 31 December US$ millions	Notes	2016	2015 (Restated)[i]
Turnover	4	**6,779.0**	6,437.0
Cost of sales		**(4,774.3)**	(4,643.7)
Gross Profit		**2,004.7**	1,793.3
Selling and distribution expenses		**(540.6)**	(513.6)
Administrative expenses		**(554.5)**	(493.0)
Other operating expenses, net		**(40.1)**	(139.8)
Interest income		**56.3**	78.2
Finance costs	5	**(366.2)**	(374.8)
Share of profits less losses of associated companies and joint ventures		**224.5**	229.7
Profit Before Taxation from Continuing Operations	6	**784.1**	580.0
Taxation	7	**(286.3)**	(187.3)
Profit for the Year from Continuing Operations		**497.8**	392.7
Profit for the Year from a discontinued operation	8(B)	**20.0**	26.2
Profit for the Year		**517.8**	418.9
Attributable to:			
Owners of the Parent	9		
– For profit from continuing operations		**95.9**	69.7
– For profit from a discontinued operation		**7.3**	10.9
– For Profit for the Year		**103.2**	80.6
Non-controlling Interests			
– For profit from continuing operations		**401.9**	323.0
– For profit from a discontinued operation		**12.7**	15.3
– For Profit for the Year		**414.6**	338.3
		517.8	418.9
Earnings Per Share Attributable to Owners of the Parent (U.S. cents)	10		
Basic			
– For profit from continuing operations		**2.25**	1.64
– For profit from a discontinued operation		**0.17**	0.25
– For Profit for the Year		**2.42**	1.89
Diluted			
– For profit from continuing operations		**2.24**	1.63
– For profit from a discontinued operation		**0.17**	0.25
– For Profit for the Year		**2.41**	1.88

(i) Refer to Note 2(B)

Details of the distribution proposed for the year are disclosed in Note 11 to the Consolidated Financial Statements.

The Notes on pages 120 to 233 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December US$ millions	2016	2015 (Restated)(i)
Profit for the Year	**517.8**	418.9
Other Comprehensive (Loss)/Income		
Items that will be Reclassified Subsequently to Profit or Loss:		
Exchange differences on translating foreign operations	**(172.0)**	(504.1)
Unrealized (losses)/gains on available-for-sale assets	**(12.8)**	50.9
Realized gains on available-for-sale assets	**(2.6)**	–
Unrealized gains/(losses) on cash flow hedges	**84.6**	(20.0)
Realized gains on cash flow hedges	**(0.8)**	–
Income tax related to cash flow hedges	**(15.2)**	1.9
Share of other comprehensive income/(loss) of associated companies and joint ventures	**20.8**	(71.7)
Reclassification for a disposal group disposed of during the year	**(26.5)**	–
Items that will not be Reclassified to Profit or Loss:		
Actuarial gains on defined benefit pension plans	**0.3**	21.8
Share of other comprehensive loss of associated companies and joint ventures	**(20.0)**	(12.2)
Other Comprehensive Loss for the Year, Net of Tax	**(144.2)**	(533.4)
Total Comprehensive Income/(Loss) for the Year	**373.6**	(114.5)
Attributable to:		
Owners of the parent	**5.6**	(177.4)
Non-controlling interests	**368.0**	62.9
	373.6	(114.5)

(i) Refer to Note 2(B)

Consolidated Statement of Financial Position

US$ millions	Notes	At 31 December 2016	At 31 December 2015 (Restated)[i]	At 1 January 2015 (Restated)[i]
Non-current Assets				
Property, plant and equipment	12	**3,870.5**	3,779.2	3,491.6
Biological assets	13	**24.2**	26.2	24.6
Associated companies and joint ventures	14	**4,741.5**	4,360.5	3,568.4
Goodwill	15	**996.3**	1,023.8	1,057.6
Other intangible assets	16	**3,338.7**	3,151.2	2,511.8
Investment properties	17	**9.6**	9.7	–
Accounts receivable, other receivables and prepayments	18	**10.6**	8.8	11.8
Available-for-sale assets	19	**311.9**	44.1	193.8
Deferred tax assets	20	**178.8**	198.6	199.2
Pledged deposits and restricted cash	21	**17.9**	30.0	30.9
Other non-current assets	22	**346.7**	312.1	385.9
		13,846.7	12,944.2	11,475.6
Current Assets				
Cash and cash equivalents and short-term deposits	23	**1,691.9**	1,612.3	2,265.9
Pledged deposits and restricted cash	21	**60.6**	51.7	53.2
Available-for-sale assets	19	**39.9**	124.8	59.2
Accounts receivable, other receivables and prepayments	18	**826.3**	758.5	661.2
Inventories	24	**715.2**	631.0	717.2
Biological assets	13	**34.8**	13.9	18.7
		3,368.7	3,192.2	3,775.4
Assets classified as held for sale	25	**–**	1,062.6	982.4
		3,368.7	4,254.8	4,757.8
Current Liabilities				
Accounts payable, other payables and accruals	26	**1,064.5**	1,241.0	1,192.4
Short-term borrowings	27	**1,280.7**	998.6	912.0
Provision for taxation	28	**80.4**	44.7	51.0
Current portion of deferred liabilities, provisions and payables	29	**296.2**	348.1	321.9
		2,721.8	2,632.4	2,477.3
Liabilities directly associated with the assets classified as held for sale	8(D)	**–**	436.2	335.9
		2,721.8	3,068.6	2,813.2
Net Current Assets		**646.9**	1,186.2	1,944.6
Total Assets Less Current Liabilities		**14,493.6**	14,130.4	13,420.2
Equity				
Issued share capital	30	**42.8**	42.7	42.9
Shares held for share award scheme	31	**(10.9)**	(6.0)	(8.7)
Retained earnings		**1,305.5**	1,398.9	1,434.8
Other components of equity	32	**1,774.6**	1,634.6	1,878.2
Equity attributable to owners of the parent		**3,112.0**	3,070.2	3,347.2
Non-controlling interests	33	**4,922.3**	4,264.2	4,064.1
Total Equity		**8,034.3**	7,334.4	7,411.3
Non-current Liabilities				
Long-term borrowings	27	**4,827.7**	5,363.3	4,893.9
Deferred liabilities, provisions and payables	29	**1,374.0**	1,128.9	850.0
Deferred tax liabilities	20	**257.6**	303.8	265.0
		6,459.3	6,796.0	6,008.9
		14,493.6	14,130.4	13,420.2

(i) Refer to Note 2(B)

The Notes on pages 120 to 233 form an integral part of the Consolidated Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

ROBERT C. NICHOLSON
Executive Director

28 March 2017

Consolidated Statement of Changes in Equity

US$ millions	Notes	Equity attributable to owners of the parent											Non-controlling interests	Total equity
		Issued share capital	Shares held for share award scheme	Share premium	Employee share-based compensation reserve	Other comprehensive (loss)/income (Note 34)	Differences arising from changes in equities of subsidiary companies	Reserves for assets classified as held for sale	Capital and other reserves	Contributed surplus	Retained earnings	Total		
Balance at 1 January 2015														
As previously reported		42.9	(8.7)	1,797.2	61.7	(379.1)	345.2	16.8	12.3	–	1,540.1	3,428.4	4,288.6	7,717.0
Prior year adjustments	2(B)	–	–	–	–	23.5	0.6	–	–	–	(105.3)	(81.2)	(224.5)	(305.7)
As restated(i)		42.9	(8.7)	1,797.2	61.7	(355.6)	345.8	16.8	12.3	–	1,434.8	3,347.2	4,064.1	7,411.3
Profit for the year														
As previously reported		–	–	–	–	–	–	–	–	–	85.1	85.1	353.3	438.4
Prior year adjustments	2(B)	–	–	–	–	–	–	–	–	–	(4.5)	(4.5)	(15.0)	(19.5)
As restated(i)		–	–	–	–	–	–	–	–	–	80.6	80.6	338.3	418.9
Other comprehensive (loss)/income for the year														
As previously reported		–	–	–	–	(273.0)	–	8.0	–	–	–	(265.0)	(298.9)	(563.9)
Prior year adjustments	2(B)	–	–	–	–	7.1	(0.1)	–	–	–	–	7.0	23.5	30.5
As restated(i)		–	–	–	–	(265.9)	(0.1)	8.0	–	–	–	(258.0)	(275.4)	(533.4)
Total comprehensive (loss)/income for the year		–	–	–	–	(265.9)	(0.1)	8.0	–	–	80.6	(177.4)	62.9	(114.5)
Issue of shares upon the exercise of share options	30(A)	–	–	0.3	(0.1)	–	–	–	–	–	–	0.2	–	0.2
Repurchase and cancellation of shares	30(B)	(0.2)	–	(17.8)	–	–	–	–	–	–	–	(18.0)	–	(18.0)
Shares vested under share award scheme	31	–	2.7	–	(2.6)	–	–	–	–	–	(0.1)	–	–	–
Employee share-based compensation benefits		–	–	–	11.6	–	–	–	–	–	–	11.6	–	11.6
Acquisition and dilution of interests in subsidiary companies		–	–	–	(0.1)	(1.7)	23.8	–	0.1	–	–	22.1	136.9	159.0
Appropriation to statutory reserve funds		–	–	–	–	–	–	0.9	–	–	(0.9)	–	–	–
2014 final dividend		–	–	–	–	–	–	–	–	–	(71.5)	(71.5)	–	(71.5)
2015 interim dividend	11	–	–	–	–	–	–	–	–	–	(44.0)	(44.0)	–	(44.0)
Acquisition of subsidiary companies	35(E)	–	–	–	–	–	–	–	–	–	–	–	93.4	93.4
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	83.4	83.4
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(176.5)	(176.5)
Balance at 31 December 2015		42.7	(6.0)	1,779.7	70.5	(623.2)	369.5	25.7	12.4	–	1,398.9	3,070.2	4,264.2	7,334.4
Balance at 1 January 2016														
As previously reported		42.7	(6.0)	1,779.7	70.5	(653.8)	369.0	25.7	12.4	–	1,508.7	3,148.9	4,480.2	**7,629.1**
Prior year adjustments	2(B)	–	–	–	–	30.6	0.5	–	–	–	(109.8)	(78.7)	(216.0)	**(294.7)**
As restated(i)		42.7	(6.0)	1,779.7	70.5	(623.2)	369.5	25.7	12.4	–	1,398.9	3,070.2	4,264.2	**7,334.4**
Profit for the year		–	–	–	–	–	–	–	–	–	103.2	103.2	414.6	**517.8**
Other comprehensive (loss)/income for the year		–	–	–	–	(75.3)	–	(23.6)	–	–	1.3	(97.6)	(46.6)	**(144.2)**
Total comprehensive (loss)/income for the year		–	–	–	–	(75.3)	–	(23.6)	–	–	104.5	5.6	368.0	**373.6**
Issue of shares upon the exercise of share options	30(A)	–	–	8.1	(2.5)	–	–	–	–	–	–	5.6	–	**5.6**
Issue of shares under share award scheme	31	0.1	(2.8)	2.7	–	–	–	–	–	–	–	–	–	**–**
Purchase of shares for share award scheme	31	–	(4.7)	–	–	–	–	–	–	–	–	(4.7)	–	**(4.7)**
Shares vested under share award scheme	31	–	2.6	–	(2.4)	–	–	–	–	–	(0.2)	–	–	**–**
Transfer from share premium to contributed surplus		–	–	(1,785.2)	–	–	–	–	–	1,785.2	–	–	–	**–**
Reclassification		–	–	–	–	–	–	–	–	173.8	(173.8)	–	–	**–**
Cancellation of share options		–	–	–	(4.2)	–	–	–	–	–	4.2	–	–	**–**
Employee share-based compensation benefits		–	–	–	10.9	–	–	–	–	–	–	10.9	–	**10.9**
Acquisition, divestment and dilution of interests in subsidiary companies		–	–	–	–	8.3	90.1	–	0.2	–	–	98.6	526.1	**624.7**
Appropriation to statutory reserve funds		–	–	–	–	–	–	0.1	–	–	(0.1)	–	–	**–**
Disposal of a disposal group classified as held for sale		–	–	–	–	–	–	(2.2)	–	–	2.2	–	(110.2)	**(110.2)**
2015 final dividend	11	–	–	–	–	–	–	–	–	–	(30.2)	(30.2)	–	**(30.2)**
2016 interim distribution	11	–	–	–	–	–	–	–	–	(44.0)	–	(44.0)	–	**(44.0)**
Acquisition of subsidiary companies	35(E)	–	–	–	–	–	–	–	–	–	–	–	14.0	**14.0**
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	24.8	**24.8**
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(164.6)	**(164.6)**
Balance at 31 December 2016		**42.8**	**(10.9)**	**5.3**	**72.3**	**(690.2)**	**459.6**	**–**	**12.6**	**1,915.0**	**1,305.5**	**3,112.0**	**4,922.3**	**8,034.3**

(i) Refer to Note 2(B)

The Notes on pages 120 to 233 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December US$ millions	Notes	2016	2015 (Restated)[i]
Profit Before Taxation			
From continuing operations		**784.1**	580.0
From a discontinued operation	8(A)	**38.1**	36.4
Adjustments for:			
Finance costs		**385.8**	392.0
Depreciation		**267.6**	271.2
Impairment losses		**112.3**	107.0
Amortization of intangible assets	6	**98.2**	92.9
Employee share-based compensation benefit expenses	37(A)	**12.2**	12.8
Provision for onerous contracts, net	6	**0.9**	10.5
Share of profits less losses of associated companies and joint ventures		**(224.5)**	(229.7)
Interest income		**(66.6)**	(93.6)
Preferred share dividend income from a joint venture	6	**(25.5)**	(8.9)
(Gain)/loss on changes in fair value of biological assets		**(16.4)**	0.9
Foreign exchange and derivative (gains)/losses, net	9	**(5.3)**	93.4
Gain on disposal of available-for-sale assets	6	**(2.6)**	–
Gain on sale of property, plant and equipment	6	**(0.2)**	(0.3)
Others		**(12.5)**	(27.5)
		1,345.6	1,237.1
Increase/(decrease) in accounts payable, other payables and accruals		**39.3**	(127.7)
(Increase)/decrease in other non-current assets		**(10.7)**	37.1
(Increase)/decrease in inventories		**(60.0)**	69.8
Increase in accounts receivable, other receivables and prepayments		**(28.9)**	(88.1)
Net cash generated from operations		**1,285.3**	1,128.2
Interest received		**60.9**	87.1
Interest paid		**(360.4)**	(352.0)
Taxes paid		**(254.4)**	(213.3)
Net Cash Flows from Operating Activities		**731.4**	650.0
Disposal of a disposal group classified as held for sale	35(A)	**258.7**	–
Dividends received from associated companies		**243.2**	232.1
Proceeds from disposal of available-for-sale assets		**154.7**	3.3
Decrease/(increase) in time deposits with original maturity of more than three months		**72.4**	(163.5)
Proceeds from disposal of property, plant and equipment		**5.9**	5.1
Dividends received from available-for-sale assets		**5.4**	2.7
Investments in intangible assets		**(374.6)**	(471.1)
Purchases of property, plant and equipment		**(319.5)**	(359.6)
Increased investments in a joint venture	35(B)	**(235.2)**	(14.1)
Increased investments in preferred shares issued by a joint venture	35(C)	**(194.8)**	–
Acquisitions of available-for-sale assets		**(183.7)**	(2.4)
Increased investments in associated companies	35(D)	**(111.8)**	(516.6)
Acquisitions of subsidiary companies	35(E)	**(60.1)**	(104.5)
Acquisition of a business	35(E)	**(46.1)**	–
Investments in biological assets		**(2.6)**	(0.1)
Increase in pledged deposits and restricted cash		**(0.4)**	(1.2)
Deposits received for a proposed sale of a disposal group classified as held for sale		**–**	29.4
Preferred share dividends received from a joint venture		**–**	8.9
Proceeds from disposal and divestment of interests in associated companies		**–**	4.4
Investments in joint ventures	35(F)	**–**	(423.4)
Investments in associated companies	35(G)	**–**	(107.7)
Purchases of investment properties		**–**	(0.1)
Net Cash Flows Used in Investing Activities		**(788.5)**	(1,878.4)

(i) Refer to Note 2(B)

continued/...

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December US$ millions	Notes	2016	2015 (Restated)[i]
Proceeds from new borrowings		**1,994.0**	2,186.8
Proceeds from shares issued to non-controlling shareholders by subsidiary companies	35(H)	**463.4**	192.6
Proceeds from divestment of interest in a subsidiary company	35(I)	**168.6**	–
Capital contributions from non-controlling shareholders		**24.8**	61.4
Proceeds from the issue of shares under a long-term incentive plan		**8.4**	0.2
Borrowings repaid		**(2,148.9)**	(1,384.9)
Dividends paid to non-controlling shareholders by subsidiary companies		**(164.6)**	(176.5)
Distributions/dividends paid to shareholders		**(74.2)**	(115.5)
Payments for concession fees payable		**(25.4)**	(24.0)
Payments for purchase and subscription of shares under a long-term incentive plan		**(7.5)**	–
Repurchase of subsidiary companies' shares		**(3.5)**	(11.3)
Increased investments in subsidiary companies		**(0.6)**	(12.2)
Repurchase of shares		**–**	(19.0)
Net Cash Flows from Financing Activities		**234.5**	697.6
Net Increase/(Decrease) in Cash and Cash Equivalents		**177.4**	(530.8)
Cash and cash equivalents at 1 January		**1,450.0**	2,086.3
Exchange translation		**(16.2)**	(105.5)
Cash and Cash Equivalents at 31 December		**1,611.2**	1,450.0
Representing			
Cash and cash equivalents and short-term deposits as stated in the consolidated statement of financial position		**1,691.9**	1,612.3
Add cash and cash equivalents and short-term deposits attributable to a discontinued operation	8(D)	**–**	704.9
Less short-term deposits and time deposits with original maturity of more than three months		**(80.7)**	(858.9)
Less bank overdrafts		**–**	(8.3)
Cash and Cash Equivalents at 31 December		**1,611.2**	1,450.0

(i) Refer to Note 2(B)

The Notes on pages 120 to 233 form an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Corporate and Group Information

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

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

The Company's ordinary shares are listed on the SEHK. Its shares are also available for trading in the United States through ADRs (Level 1).

The Group comprises the Company and its subsidiary companies. Details of the principal subsidiary companies of the Company which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on pages 237 and 238.

2. Basis of Preparation and Summary of Principal Accounting Policies

(A) Basis of Preparation

The Consolidated Financial Statements have been prepared in accordance with HKFRSs (which include all HKFRSs, HKASs and HK(IFRIC)-Ints) issued by the HKICPA, Hong Kong GAAP and the disclosure requirements of the Hong Kong Companies Ordinance. The Consolidated Financial Statements have been prepared under the historical cost convention except for biological assets, investment properties, available-for-sale assets, derivative financial instruments and pension scheme assets which, as disclosed in the accounting policies below, are stated at fair value. These Consolidated Financial Statements are presented in United States (U.S.) dollars and all values are rounded to the nearest million (US$ millions) with one decimal place except when otherwise indicated.

(B) Impact of Revised HKFRSs

During 2016, the Group has adopted the following revised HKFRSs effective for annual periods commencing on or after 1 January 2016 issued by the HKICPA:

HKAS 16 and HKAS 41 Amendments	"Agriculture: Bearer Plants"
HKAS 1 Amendments	"Disclosure Initiative"
HKAS 16 and HKAS 38 Amendments	"Clarification of Acceptable Methods of Depreciation and Amortisation"
HKAS 27 (2011) Amendments	"Equity Method in Separate Financial Statements"
HKFRS 10, HKFRS 12 and HKAS 28 (2011) Amendments	"Investment Entities: Applying the Consolidation Exception"
HKFRS 11 Amendments	"Accounting for Acquisitions of Interests in Joint Operations"
Improvements to HKFRSs	"Annual Improvements to HKFRSs 2012-2014"

The Group's adoption of the above pronouncements, except for HKAS 16 and HKAS 41 Amendments, has had no effect on both the profit attributable to owners of the parent for the years ended 31 December 2016 and 2015 and the equity attributable to owners of the parent at 31 December 2016, 31 December 2015 and 1 January 2015.

The Group adopted HKAS 16 and HKAS 41 Amendments with effect from 1 January 2016. Under the amendments introduced, bearer plants are defined as living plants that are used in the production or supply of agricultural produce, are expected to bear produce for more than one period, and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Biological assets that meet the definition of bearer plants are no longer required to be accounted for at fair value under HKAS 41 "Agriculture". Instead, bearer plants are accounted for under HKAS 16 "Property, Plant and equipment" at accumulated costs before they mature, and using either the cost or revaluation model after they mature. The Group elected to account for its bearer plants using the cost model under HKAS 16 "Property, Plant and Equipment". However, agricultural produce growing on bearer plants continues to remain within the scope of HKAS 41 and is measured at fair value less costs to sell. Depreciation for bearer plants is calculated on a straight-line basis over the economic useful lives of 25 years for oil palm and rubber trees, and four years for sugar cane after they mature. The Group has applied the amendments retrospectively on 1 January 2016 as required by its transitional provisions.

The effects of the above change are summarized below:

(a) Effects on the Consolidated Statement of Financial Position at 31 December 2015 and 1 January 2015

US$ millions	At 31 December 2015	At 1 January 2015
Assets		
Increase in property, plant and equipment	718.1	759.8
Decrease in plantations	(1,151.1)	(1,210.7)
Increase in biological assets (Non-current)	26.2	24.6
Decrease in deferred tax assets	(0.9)	(1.0)
Increase in biological assets (Current)	13.9	18.7
	(393.8)	(408.6)
Liabilities		
Decrease in deferred tax liabilities	(99.1)	(102.9)
	(99.1)	(102.9)
Equity		
Decrease in retained earnings	(109.8)	(105.3)
Increase in exchange reserve	30.6	23.5
Increase in differences arising from changes in equities of subsidiary companies	0.5	0.6
Decrease in non-controlling interests	(216.0)	(224.5)
	(294.7)	(305.7)

(b) Effects on the Consolidated Income Statement for the Year Ended 31 December 2015

For the year ended 31 December 2015 US$ millions	
Increase in cost of sales	(28.4)
Decrease in other operating expenses, net	2.4
Decrease in taxation	6.5
Decrease in profit for the year	(19.5)
Attributable to:	
Owners of the parent – For profit from continuing operations	(4.5)
Non-controlling interests – For profit from continuing operations	(15.0)
Decrease in profit for the year	(19.5)
Decrease in earnings per share attributable to owners of the parent (U.S. cent)	
Basic	(0.10)
Diluted	(0.10)

(C) Issued But Not Yet Effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these Consolidated Financial Statements.

HKAS 7 Amendments	"Disclosure Initiative"(i)
HKAS 12 Amendments	"Recognition of Deferred Tax Assets for Unrealized Losses"(i)
HKFRS 2 Amendments	"Classification and Measurement of Share-based Payment Transactions"(ii)
HKFRS 4 Amendments	"Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"(ii)
HKFRS 9	"Financial Instruments"(ii)
HKFRS 10 and HKAS 28 (2011) Amendments	"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"(iii)
HKFRS 15	"Revenue from Contracts with Customers"(ii)
HKFRS 15 Amendments	"Clarifications to HKFRS 15 Revenue from Contracts with Customers"(ii)
HKFRS 16	"Leases"(iv)
Improvements to HKFRSs	"Annual Improvements to HKFRSs 2014-2016"(v)

(i) Effective for annual periods commencing on or after 1 January 2017
(ii) Effective for annual periods commencing on or after 1 January 2018
(iii) No mandatory effective date yet determined but available for adoption
(iv) Effective for annual periods commencing on or after 1 January 2019
(v) Generally effective for annual periods commencing on or after 1 January 2018, except for the HKFRS 12 Amendments which are effective for annual periods commencing on or after 1 January 2017

Further information about these HKFRSs is as follows:

HKAS 7 Amendments require entities to provide disclosures that enable users of financial statements to evaluate the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are to be applied prospectively.

HKAS 12 Amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are to be applied retrospectively.

HKFRS 2 Amendments provide requirements on the accounting for (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, (ii) the classification of a share-based payment transaction with net settlement feature for withholding tax obligations and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 4 Amendments address concerns arising from implementing HKFRS 9 "Financial Instruments" before implementing the forthcoming insurance contracts standard. The new insurance contacts standard allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when HKFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying HKFRS 9 until the earlier of application of the forthcoming insurance contracts standard with effective from 1 January 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied HKFRS 9.

HKFRS 9 simplifies the many different rules in HKAS 39 “Financial Instruments: Recognition and Measurement” into a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard revises the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk is required to be presented in other comprehensive income, whereas the remainder of the change in fair value is required to be presented in profit or loss. The standard changes the requirements for the calculation of impairment provision of financial assets, adds the requirements related to hedge accounting and made some related changes to HKFRS 7 “Financial Instruments: Disclosures” and HKAS 39 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on fair value option liabilities as introduced in 2010 without applying the other HKFRS 9 requirements concurrently. HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply.

HKFRS 10 and HKAS 28 (2011) Amendments address an inconsistency between the requirements in HKFRS 10 “Consolidated Financial Statements” and in HKAS 28 (2011) “Investments in Associates and Joint Ventures” in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively.

The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKIPCA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model (which includes the steps of identifying the contract(s) with a customer, identifying the performance obligations in the contract(s), determining the transaction price of the contract(s), allocating the transaction price to the performance obligations in the contract(s), and recognizing revenue when the entity satisfies a performance obligation in the contract(s)) that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

HKFRS 16 replaces HKAS 17 "Leases", HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases – Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee recognizes a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40 "Investment Property". The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases.

"Annual Improvements to HKFRSs 2014-2016" set out amendments to a number of HKFRSs and HKASs, which include certain changes that may result in accounting changes for presentation, recognition or measurement purpose.

The key amendments of "Annual Improvements to HKFRSs 2014-2016" are summarized as follows:

The HKAS 28 "Investments in Associates and Joint Ventures" amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognized, (ii) the associate or joint venture becomes an investment entity and (iii) the investment entity associate or joint venture first becomes a parent.

The HKFRS 12 "Disclosure of Interests in Other Entities" amendments clarify that the disclosure requirements in HKFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has not early adopted the above new and revised HKFRSs for the year ended 31 December 2016. These new and revised HKFRSs are not expected to have a significant impact on the results of operations and financial position and presentation of the consolidated financial statements, except for the HKFRS 9, HKFRS 15 and HKFRS 16 as described below. The Group is currently assessing the impacts of adopting HKFRS 9, HKFRS 15 and HKFRS 16. Based on the Group's preliminary assessment, the adoption of these new HKFRSs will have the below effects to the Group in the period of initial application, which may have a significant impact on the results of operations and financial position and presentation of consolidated financial statements.

- The Group's adoption of HKFRS 9 will have an effect on the classification, measurement of and impairment methodology for its financial assets, but will have no impact on the classification and measurement of its financial liabilities. The adoption may also have an effect on its application of hedge accounting. The impairment requirements in HKFRS 9 of applying a new expected credit loss model, which replaces the incurred loss model currently applied, may result in an earlier recognition of credit losses by the Group. HKFRS 9 does not fundamentally change the requirements relating to measuring and recognizing ineffectiveness under HKAS 39 and the Group preliminarily assesses that its current hedge relationships will continue to qualify as hedges upon the adoption of HKFRS 9 and therefore expects that the accounting for its hedging relationships will not be significantly impacted.

- The Group's adoption of HKFRS 15 will have an effect on its accounting for revenues arising from contracts with customers, which required revenue to be recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

- The adoption of HKFRS 16 will have an effect on Group's accounting for its non-cancellable operating lease commitments. Under HKFRS 16, the leases to which these commitments relate will be required to be recognized as assets (and subsequently depreciated over their expected useful lives), reflecting the Group's right to use the underlying assets and liabilities in respect of its obligations to make lease payments.

(D) Summary of Principal Accounting Policies

(a) Basis of consolidation

(I) Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and its subsidiary companies for the year up to 31 December 2016.

A subsidiary company is an entity controlled by the Company. Control exists when the Company has exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of those returns. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (i) the contractual arrangement with the other vote holders of the investee, (ii) rights arising from other contractual arrangements, (iii) the Group's voting rights and potential voting rights and (iv) other factors which enable the Company to direct the relevant activities of the investee unilaterally, such as the existence of control, through majority representatives appointed, over the board of directors of the investee by the Company. Potential voting rights that are substantive (i.e., practically exercisable by the Company considering all facts and circumstances), where applicable to certain Philippine affiliates of the Company, are taken into account in determining whether an entity should be consolidated. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes in the elements of control described above.

The results of subsidiary companies are included in the consolidated income statement from the effective date of acquisition, being the date on which the Group obtains control, or up to the effective date of disposal, as appropriate. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All significant intra-group transactions and balances within the Group are eliminated on consolidation. Total comprehensive losses are attributed to the non-controlling interests even if it results in a deficit balance. Non-controlling interests represent the interests of non-controlling shareholders not held by the Group in the results and net position of the Company's subsidiary companies.

A change in the ownership interest of a subsidiary company, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary company, it (i) derecognizes the assets (including goodwill) and liabilities of the former subsidiary company at their carrying amounts, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary company, (iii) derecognizes the components of other comprehensive income (e.g., cumulative exchange reserve) recorded in equity attributable to the former subsidiary company, (iv) recognizes the fair value of the consideration received, (v) recognizes the fair value of any investment in the former subsidiary company retained, (vi) recognizes any resulting difference as a gain or loss on disposal in profit or loss, (vii) reclassifies the parent's share of components of the former subsidiary company previously recognized in other comprehensive income (except revaluation reserve) to profit or loss, (viii) transfers the parent's share of the former subsidiary company's revaluation reserve previously recognized in other comprehensive income directly to retained earnings and (ix) transfers the related differences arising from changes in shareholdings of subsidiary companies without a change of control previously recognized as other reserves directly to retained earnings.

(II) Business combination and goodwill

Business combinations are accounted for using the acquisition method of accounting. This method involves allocating the consideration transferred to the vendor to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The consideration transferred is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Non-controlling interests in the acquirees (that are present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation) are measured either at the non-controlling interests' proportionate share of the acquirees' identifiable net assets or at their fair values. All other components of non- controlling interests are measured at fair values. All acquisition-related costs are recognized as expenses in profit or loss. Contingent consideration is measured at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired, liabilities and contingent liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the assets acquired, liabilities and contingent liabilities assumed, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase. In the case of associated companies and joint ventures, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

If the initial accounting for business combination can be determined only provisionally by the end of the period in which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Group accounts for the combination using provisional amounts. During the measurement period, which is no longer than one year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired and its amount will be written down for impairment when it is considered necessary. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. A previously recognized impairment loss for goodwill is not reversed.

For step acquisitions, the Group's previously held equity interests are remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

For business combinations involving entities or businesses under common control (a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory), they are accounted for applying the principles of merger accounting which is consistent with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The method requires the combined entity to recognize the assets, liabilities and equity of the combining entities or businesses at the carrying amounts (i.e., existing book values from the controlling parties' perspective) in the consolidated financial statements of the controlling party or parties prior to the common control combination. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identified assets, liabilities and contingent liabilities over the cost at the time of the common control combination to the extent of the controlling party's or parties' interests.

Where goodwill has been allocated to a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(b) Property, plant and equipment

(I) Freehold land and other property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses, calculated on the straight-line basis at annual rates estimated to write off their book values to residual values over their expected useful lives. Details of depreciation rates are set out in Note 12(A) to the Consolidated Financial Statements. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and measured at the lower of its carrying amount and fair value less costs to sell.

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized finance and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings, during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(II) Bearer plants

Bearer plants are living plants used in the production or supply of agricultural produce. They are expected to bear produce for more than one period and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The Group's bearer plants comprise oil palm, rubber and sugar cane plantations. The Group elected to account for its bearer plants using the cost model under HKAS 16. Immature bearer plants are accounted for at accumulated cost, which consist mainly of the accumulated cost of land clearing, planting, fertilizing, up-keeping and maintaining the plantations, and allocations of indirect overhead costs up to the time the plants become commercially productive and available for harvest. Costs also include capitalized borrowing costs and other charges incurred in connection with the financing of the development of immature bearer plants. Immature bearer plants are not amortized.

Immature bearer plants are reclassified to mature bearer plants when they are commercially productive and available for harvest. In general, an oil palm plantation takes about three to four years to reach maturity from the time of planting the seedlings, while a rubber plantation takes about five to six years to reach maturity. A sugar cane plantation take about a year to reach maturity, and can be harvested for an average of four times after the initial planting.

Mature bearer plants are stated at cost, and are depreciated using the straight-line method over their estimated useful lives of 25 years for oil palm planations and rubber plantations, and four years for sugar cane plantations. Details of depreciation rates are set out in Note 12(A) to the Consolidated Financial Statement.

The carrying amounts of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be fully recoverable.

The carrying amount of an item of bearer plants is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is directly included in the profit or loss when the item is derecognized.

The assets useful lives and depreciation method are reviewed at each year end and adjusted prospectively if necessary.

Upkeep and maintenance costs are taken to the profit or loss when they are incurred. The cost of major renovation and restoration is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the related asset.

(c) Asset retirement obligations

The net present value of legal obligations associated with the retirement of an item of property, plant and equipment that resulted from the acquisition, construction or development of property, plant and equipment is recognized in the period in which the obligations arise. The obligations are reviewed and adjusted, if appropriate, at least at each financial year end.

(d) Biological assets

The Group's biological assets comprise timber plantations and agricultural produce of the bearer plants, which primarily comprise of fresh fruit bunches and sugar cane.

The Group recognized the fair value of biological assets in accordance with HKAS 41. Biological assets are stated at fair value less costs to sell. Gains or losses arising on initial recognition of biological assets and from the change in fair value of biological assets at each reporting date are recognized in the profit or loss for the period in which they arise.

The Group adopted the income approach to measure the fair value of the biological assets. For the valuation of unharvested produce of oil palm and rubber plantations, the Group has applied the actual harvest data subsequent to year end to derive the fair value of unharvested produce of oil palm and rubber plantations at year end. For the valuation of sugar cane, the Group has applied discounted cash flow models to derive its fair value.

For timber plantations, the Group appoints an independent appraiser to determine the fair value of timber at year end and any resultant gains or losses arising from the changes in fair values is recognized in the profit or loss. The independent valuer adopts the income approach for the valuation of timber trees using a discounted cash flow model. The cash flow models estimate the relevant future cash flows which are expected to be generated in the future, and are discounted to the present value by using a discount rate.

(e) Associated companies and joint ventures

An associated company is an entity, not being a subsidiary company or a joint venture, in which the Group over whose management is in a position to exercise significant influence, including participation in the financial and operating policy decisions. Generally, significant influence is assumed to exist when the Group has a long-term interest of not less than 20% of the equity voting rights in the entity.

The Group has interests in joint ventures, whereby the Group and the other venturers have contractual arrangements that give them joint controls and rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities (i.e. the activities of the investee that significantly affect its return) require the unanimous consent of the parties sharing control.

Investments in associated companies and joint ventures are accounted for by the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's investments in associated companies and joint ventures include goodwill (net of any accumulated impairment losses) identified on acquisition. The Group's share of its associated companies' and joint ventures' post-acquisition profits and losses is recognized in the consolidated income statement as the Group's share of profits less losses of associated companies and joint ventures, and its share of post-acquisition other comprehensive income is recognized in the Group's consolidated other comprehensive income and when applicable in the consolidated statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in associated companies and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in an associated company or a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company or joint venture and its carrying value, and then recognizes the loss as share of profits less losses of associated companies and joint ventures in the consolidated income statement.

If an investment in an associated company becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, when the Group discontinues the use of the equity method from the date when it ceases to have significant influence over an associated company or joint control over the joint venture, the Group measures at fair value any investment that the Group retains in the former associated company or joint venture. The Group recognizes in the consolidated income statement any difference between (i) the fair value of any retained investment and any proceeds from disposing of part of the interest in the associated company or joint venture and (ii) the carrying amount of the investment at the date when significant influence or joint control is lost.

(f) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired from business combinations is initially recognized at fair value at the date of acquisition. Additions of service concession assets subsequent to business combinations are initially measured at present value of any additional estimated future concession fee payments pursuant to the concession agreements and/or the costs of rehabilitation works incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The Group's concession assets represent the fair value of concessions of right granted by governments to charge users of public services provided. The Group's concession assets for the water distribution business are amortized using either the unit of production method or the straight-line method over the term of the concessions. The Group's concession assets for the toll road business are amortized using the unit of production method over the term of the concessions. The Group's concession assets for the rail business are amortized using the straight-line basis. The Group's brands represent the brands for its various milk related products. The brands are amortized using the straight-line method over their estimated useful lives. The Group's service contracts for wastewater and sewage treatment are amortized using the straight-line method. The Group's vesting contract is a commitment to produce a specified quantity of electricity at a specified price, limiting the Group's exposure to volatility in the electricity prices, providing certainty on cost recovery for a portion of the electricity generated. The vesting contract is amortized using the straight-line method. The Group's software is amortized using the straight-line method over its estimated useful life.

Intangible asset with an indefinite life is not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Intangible asset with an indefinite life is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group's intangible assets with indefinite lives mainly consist of the registered brand name and distribution and customer networks of its packaged drinking water business, for which the Group does not expect to incur significant expenses to maintain the future economic benefits that can be generated from these assets.

Intangible assets not yet available for use are tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The intangible assets not yet available for use mainly relate to concession agreements signed with the relevant government authorities as regards to the building and operation of toll roads and rail extension for which constructions have not been completed.

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated income statement in the year of the retirement or disposal.

(h) Fair value measurement

The Group measures its biological assets, investment properties, available-for-sale assets and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(i) Impairment of non-financial assets

An assessment is made at the end of each reporting period as to whether there is an indication of impairment of assets including property, plant and equipment, other intangible assets and other non-current assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's fair value less costs of disposal and value in use.

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

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

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

(j) Cash and cash equivalents and short-term deposits

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use, whereas short-term deposits are highly liquid money market placements with maturities of more than three months but less than one year from the dates of acquisition. Cash restricted as to use represent cash which are restricted from being exchanged or used to settle a liability.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have original maturities of three months or less from the date of acquisition, less bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

(k) Financial assets and financial liabilities

(I) Classification, initial recognition and measurement

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period. In the case of a regular way purchase or sale of financial assets, recognition or derecognition, as applicable, is done using the trade date accounting, which means the accounting based on the date that the Group commits to purchase or sell the asset.

Financial assets are classified, at initial recognition, as loans and receivables, held-to-maturity investments, financial assets at fair value through profit or loss, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to liquidity requirements or in response to changes in the market conditions.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

A financial asset or financial liability may be designated as a financial asset or financial liability at fair value through profit or loss at initial recognition if any of the following criteria are met:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

(ii) a group of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(iii) financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets or financial liabilities are recognized initially at fair value including transaction costs that are attributable to the acquisition of the financial assets or recognition of financial liabilities except for financial instruments at fair value through profit or loss.

(II) Subsequent measurement

After initial recognition, the following financial assets and liabilities are measured at amortized cost using the effective interest method: (i) loans and receivables; (ii) held-to-maturity investments; and (iii) loans and borrowings. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

Financial assets and liabilities at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the unrealized gains/losses on available-for-sale assets reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated income statement, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the consolidated income statement in accordance with the policies set out for "Turnover and revenue recognition".

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

(III) Derecognition

A financial asset is derecognized when (i) the rights to receive cash flows from the asset have expired, or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the consolidated income statement.

(IV) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(V) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. The amount of the impairment loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the estimated loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance amount. If a write-off is later recovered, the recovery is credited to the consolidated income statement.

(ii) Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(iii) Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is removed from other comprehensive income and recognized in the consolidated income statement. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the carrying cost of the investment and "prolonged" against the period in which the fair value has been below its carrying cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognized directly in other comprehensive income. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, the extent or duration to which the fair value of an investment is less than its cost.

(l) Derivative instruments and hedge accounting

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

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

For the purpose of hedge accounting, hedges are classified as (i) fair value hedges where they hedge the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (ii) cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment, or (iii) hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

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

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized in other comprehensive income is transferred to the consolidated income statement.

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

(m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method, the weighted average method or the moving average method, and in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. The cost of goods purchased for resale includes costs incurred in bringing the goods to their present location. Net realizable value is determined on the basis of current anticipated selling prices less estimated costs to be incurred to completion and selling expenses. The Group provides allowance for obsolescence and/or decline in market values of inventories based on periodic reviews of the physical conditions and net realizable value.

(n) Provisions, contingent liabilities and assets

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement. When the effect of discounting is material, the amount recognized for a provision is the present value, at the end of the reporting period, of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount, arising from the passage of time, is included in finance costs in the consolidated income statement.

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

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general guidance for provisions above and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the general guidance for revenue recognition.

Contingent assets represent assets arising from unplanned or unexpected events that give rise to the possibility of an inflow of economic benefits to the Group. Contingent assets are not recognized in the Group's consolidated financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable.

(o) Income tax

Income tax comprises current and deferred taxes. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Deferred tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences (with limited exceptions) while deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses (with limited exceptions). For deferred tax liabilities for the withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes, the Group fully recognizes the amounts for its associated companies and recognizes the amounts to the extent representing the earnings to be distributed as dividends for its subsidiary companies. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Conversely, previously unrecognized deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(p) Distributions

Final distributions proposed by the Directors are recognized as a liability when they have been declared and approved by the shareholders in an annual general meeting.

Interim distributions (including special distributions, if any) are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the Directors the authority to declare interim distributions. Consequently, interim distributions are recognized immediately as a liability when they are proposed and declared.

(q) Convertible instruments

Convertible instruments are separated into liability and equity components based on the terms of the contracts. Upon the issuance of the convertible instruments, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity (net of transaction costs with the associated income tax). The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible instruments based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

(r) Turnover and revenue recognition

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

Dividend income is recognized when the Group's right to receive payment has been established. Interest income is recognized as it accrues, taking into account the principal amount outstanding and the effective interest rate.

(s) 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.

The Group's net obligations in respect of defined benefit schemes is calculated by fair value of the pension scheme assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations, and are determined on the basis of actuarial valuations using the projected unit credit method. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in the consolidated income statement at the earlier of the date of (i) when the plan amendment occurs and (ii) when the related restructuring or termination costs are recognized. Interest on net defined benefit obligation is calculated using the discount rate used to measure the pension benefit obligation and recognized in the consolidated income statement.

(II) Long service payments

Certain of the Group's employees are eligible for long service payments in the event of the termination of their employment. A provision is recognized in respect of the probable future long service payments expected to be made. The provision is the best estimate of the present value of probable future payments, calculated using the projected unit credit method, that have been earned by the employees from their service to the Group at the end of the reporting period.

(III) Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair values of the share options and awarded shares at the date at which they are granted.

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing models, which include the impact of market performance conditions but excludes the impact of service conditions and non-market performance conditions. For grant of awarded shares, the total amount to be expensed is determined by reference to the market performance conditions at the grant date, taking into account all non-vesting conditions associated with the grants.

The cost of equity-settled transactions is recognized in employee benefit expenses, together with a corresponding increase in the employee share-based compensation reserve, over the period in which the performance conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting period end until the vesting date reflects the extent to which the vesting period has expired and the number of awards that will ultimately vest, based on the best available estimate.

Upon the exercise of share options, the related amount accumulated in the employee share-based compensation reserve is transferred to share premium. Upon the vesting and transfer to the awardees, the related costs of the awarded shares are credited to shares held for the share award scheme, and the related fair value of the shares is debited to the employee share-based compensation reserve. The difference between the cost and the fair value of the vested awarded shares is credited to retained earnings if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected into fair value of an award and lead to an immediate expensing of an award unless there are also services and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, as a minimum, is recognized as if the terms had not been modified if the original terms of the award are met. An expense is recognized for any increase in the fair value of the transactions as a result of the modification, as measured at the date of modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where nonvesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

(IV) Cash long-term employee benefits

The Group's long-term incentive plans (LTIP) grant cash incentives to eligible key employees, which are contingent upon the achievement of approved targets, such as recurring profit/core income over a performance cycle, usually three years, with payments usually made at the end of the performance cycle. Liability under LTIP is determined using the projected unit credit method. Employee benefit costs include current service costs, interest cost, actuarial gains and losses, and past service costs. Past service costs and actuarial gains and losses are recognized immediately in the consolidated income statement when they occur.

(V) Paid leave carried forward

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

(VI) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Termination benefits are recognized at the earlier of (i) when the Group can no longer withdraw the offer of those benefits and (ii) when the Group recognizes the related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short term employee benefits, or other long-term employee benefits.

(VII) Short-term employee benefits

Employee benefits are classified as short-term if the expected timing of settlement is within 12 months after the end of the reporting period.

(t) 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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight- line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are recorded in the consolidated income statement on the straight-line basis over the lease terms.

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. Finance lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. A finance lease gives rise to a depreciation expense for the asset as well as a borrowing cost for each period. Finance charges are charged directly to current operations. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned by the Group.

(u) Finance costs

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

Finance costs are expensed in the consolidated income statement in the year in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset (principally the assets classified as property, plant and equipment, plantations and concession assets classified as intangible assets for the Group) which necessarily takes a substantial period of time to prepare for its intended use or sale. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

(v) Foreign currencies

(I) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency, principally the peso, the rupiah, A$ and S$). The Consolidated Financial Statements are presented in the currency of the United States dollar, which is the Company's functional currency.

(II) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement (except for those which will be refunded or billed to customers through billings as approved by governments under service concession arrangements). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

(III) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency other than the United States dollar are translated into the United States dollar as follows:

(i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each consolidated income statement and consolidated statement of comprehensive income presented are translated at average exchange rates; and

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

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

(IV) Consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiary companies are translated into United States dollars at the average exchange rates of the year.

(w) Operating segmental information

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

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

(x) Related parties

A related party is a person or an entity that is related to the Group.

(I) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

(II) An entity is related to the Group if any of the following conditions applies:
- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary company and fellow subsidiary company is related to the others);
- (ii) one entity is an associated company or a joint venture of the other entity (or an associated company or a joint venture of a member of a group of which the other entity is a member);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associated company of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (I);
- (vii) a person identified in (I)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

(y) Assets and disposal groups held for sale

Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group 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 or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary company classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary company after the sale.

Assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(A) Judgments

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

(a) Classification of financial assets and financial liabilities

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

(b) Service concession arrangements

In applying HK(IFRIC)-Int 12 to the service concession arrangements of the Group's water (Maynilad, Philippine Hydro, Inc. (PHI) and MIBWSC), toll road (NLEX Corporation, CIC, MPCALA and CCLEC) and rail (LRMC) businesses, the Group has made judgments that these arrangements qualify for the application of the intangible asset model. The methods of amortization that the Group use depends on which method best reflect the pattern of consumption of the concession assets. NLEX Corporation, CIC and Maynilad use the unit of production (UOP) method for amortizing service concession assets. The Group annually reviews the actual billed volume and the estimated billable water volume, in the case of the water concession, and the actual traffic volume and the expected traffic volume, in the case of the toll concession, based on factors that include market conditions such as population growth and consumption of water/usage of the toll facility, and the status of the Group's projects. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the aforementioned factors. Details of the Group's accounting policy in respect of intangible assets (other than goodwill) are set out in Note 2(D)(f) to the Consolidated Financial Statements.

(c) Power to exercise significant influence or control

Where the Group holds less than 20% of voting rights in an investee but the Group has the power to exercise significant influence, such an investment is treated as an associate. See Note 14(D) to the Consolidated Financial Statements for application of the above judgment.

Where the Group holds more than 50% of voting rights in the investee but the Group does not have the power to exercise control, such an investment is treated as an associate or a joint venture. In May 2016, MPIC increased its ownership interest in Beacon Electric from 50.0% to 75.0% and despite a majority interest of 75.0%, MPIC's investment in Beacon Electric remains to be accounted for as a joint venture based on the Group's consideration of the factors of the structure, legal form, contractual agreement and other facts and circumstances related to this investment. The Group has determined that MPIC continues to have rights to the net assets of Beacon Electric as MPIC's right to vote for the outstanding capital stock of Beacon Electric remains at 50% as long as PCEV owns not less than 20.0% of the outstanding capital stock of Beacon Electric or the purchase price for MPIC's acquisition of an additional 25.0% interest in Beacon Electric in May 2016 has not been fully paid by MPIC (Note 14(F)). In December 2016, MPTC increased its ownership interest in TMC from 46.0% to 60.0%. Despite a majority ownership interest of 60.0%, MPTC's investments in TMC remains to be accounted for as an associate as changes to operating and dividend policies that affects investors returns require the affirmative vote of another significant shareholder.

(B) Estimation Uncertainty

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

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

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

(b) Measurement of fair value of biological assets

The Group recognizes its timber plantations and agricultural produce of bearer plants at fair value less costs to sell, which requires the use of accounting estimates and assumptions.

The Group adopts the income approach to measure the fair value of unharvested produce of bearer plants and timber plantations. The significant assumptions applied to determine the fair value of biological assets included the projected selling prices, production yields, discount rate, inflation rate and exchange rates. For the valuation of unharvested fruit bunches of oil palm, the Group has applied the actual harvest data subsequent to year end and the market selling prices at year end to derive the fair value of unharvested produce of oil palm at year end. For the valuation of sugar cane and timber, the Group has applied discounted cash flow models to derive their fair values.

The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these agricultural produces would affect the Group's consolidated profit or loss and equity. The key assumptions applied in the determination of fair value of biological assets including a sensitivity analysis, are disclosed and further explained in Note 13 to the Consolidated Financial Statements.

(c) Purchase price allocation and impairment of non-financial assets

Acquisition accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets and contingent liabilities. Determining the fair value of property, plant and equipment, biological assets, and intangible assets (other than goodwill) at the date of acquisition of business requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements.

Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated statement of financial position or a gain on bargain purchase in profit or loss. The Group's business acquisitions have resulted in goodwill, which is subject to yearly impairment testing and whenever there is an indication that goodwill may be impaired. The Group also assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets and intangible assets that has not yet been brought into use are tested for impairment annually and at other times when such an indicator exists.

Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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. Any resulting impairment loss would affect directly the Group's consolidated profit or loss and equity.

(d) Estimating useful lives of brands

The Group estimates the useful lives of the brands for its various milk-related products. The estimated useful lives of the brands are reviewed annually and are updated if expectations differ from previous estimates due to changes in market situations or other limits. It is possible, however, that future results of operations could be materially affected by changes in those estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Group's brands would increase its recorded amortization expenses and decrease its other intangible assets.

(e) Financial assets and liabilities

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

(f) Estimating allowances for loans and receivables

The Group estimates the allowance for receivables based on two methods. The amounts calculated using each of these methods are combined to determine the total amount it provides. Firstly, the Group evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Group estimates, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Group expects to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts estimated. Secondly, if the Group determines that no objective evidence of impairment exists for individually assessed trade receivables, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The characteristics chosen are relevant to the estimation of future cash flows for groups of such trade receivables by being indicative of the customers' ability to pay all amounts due. Future cash flows in a group of trade receivables that are collectively evaluated for impairment are estimated on the basis of historical loss experience for the trade receivables with credit risk characteristics similar to those in the group.

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 receivables would increase its recorded operating expenses and decrease its consolidated profit or loss and equity.

(g) Impairment of available-for-sale assets

The Group treats an available-for-sale equity financial asset as impaired when there had been a significant or prolonged decline in the fair value below its acquisition cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Group evaluates other factors, including normal volatility in share prices for quoted equities and the future cash flows and the discount factors for unquoted equities.

For debt instruments classified as available-for-sale assets, the Group considers loss events that have an impact on the estimated future cash flows of the financial asset. Evidence of loss events may include indication that the issuer is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and the probability that they will enter bankruptcy or other financial reorganization. Other observable data may indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(h) 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.

(i) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the diversity of the Group's businesses and the long-term nature and complexity of existing contractual agreements or the nature of the business itself, changes in differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities in which the Group operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile or to the operations of the Group.

The Group reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized based on the likely timing and level of future taxable profits together with future tax planning strategies. 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.

(j) Provisions

The Group recognizes provisions based on estimates of whether it is probable that an outflow of resources will be required to settle an obligation. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the financial performance in the current period in which such determination is made.

(k) Pension and other retirement benefits

The determination of the Group's obligation, fair value of plan assets and cost for defined benefits is performed by independent actuaries engaged by the Group and dependent on the selection of certain assumptions used by them in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets, future annual salary increases and the average remaining working life of employees. In accordance with the Group's accounting policy for pension obligations, actual results that differ from the Group's assumptions are recognized immediately in other comprehensive income as and when they occur. While the Group believes that the actuaries' assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the Group's assumptions may materially affect its pension and other retirement obligations.

(I) Employee benefit expenses

HKFRS 2 requires that the Group measures its share options and awarded shares at fair value at the date at which they are granted, which requires the extensive use of accounting estimates. The determination of such fair value is performed by an independent valuer engaged by the Group or management's estimates. Significant components of fair value measurement were determined using assumptions including expected volatility and dividend yield and the average risk-free interest rate for share options, and expected dividend payments during the vesting period for share awards. The amount of fair value determined at the date on which the share options and awarded shares are granted would differ if the Group utilized different assumptions. Any changes in fair value of the share options and awarded shares determined at the date on which they are granted would affect directly the Group's profit or loss in subsequent periods when these fair values are recognized as expenses over the vesting period of the share options and awarded shares.

The cost of cash LTIP is determined using the projected unit credit method based on prevailing discount rates and estimated achievement of profit targets. While management's assumptions are believed to be reasonable and appropriate, significant differences in actual results or changes in assumptions may materially affect the Group's consolidated profit or loss and equity.

4. Turnover and Operating Segmental Information

US$ millions	**2016**	2015
Turnover		
Sale of goods	**5,246.7**	4,917.0
Sale of electricity	**575.3**	663.5
Rendering of services	**957.0**	856.5
Total	**6,779.0**	6,437.0

Operating Segmental Information

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

The Board of Directors considers the business of the Group from both product or service and geographical perspectives. From the product or service perspective, the Group's business interests are divided into four main segments, which are telecommunications, consumer food products, infrastructure and natural resources. Geographically, the Board of Directors considers the businesses of the Group are operating in the Philippines, Indonesia, Australasia and Singapore and the turnover information of continuing operations is based on the locations of the customers. Details of the Group's principal investments are provided on pages 237 and 238.

The Board of Directors assesses the performance of the operating segments based on a measure of recurring profit. This basis measures the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains/losses, gain/loss on changes in fair value of biological assets and non-recurring items. Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the assets.

The revenue, results and other information for the years ended 31 December 2016 and 2015, and total assets and total liabilities at 31 December 2016 and 2015 regarding the Group's operating segments are as follows.

By Principal Business Activity – 2016

For the year ended/at 31 December US$ millions	Telecom- munications	Consumer Food Products	Infrastructure	Natural Resources	Head Office	**2016** **Total**
Revenue						
Turnover	–	5,263.5	1,515.5	–	–	**6,779.0**
Results						
Recurring profit	127.7	159.0	103.3	10.2	(135.3)	**264.9**
Assets and Liabilities						
Non-current assets (other than financial instruments and deferred tax assets)						
– Associated companies and joint ventures	1,185.0	629.2	2,515.5	411.8	–	**4,741.5**
– Others	–	3,823.7	4,659.3	–	15.1	**8,498.1**
	1,185.0	4,452.9	7,174.8	411.8	15.1	**13,239.6**
Other assets	–	2,821.5	895.3	–	259.0	**3,975.8**
Total assets	1,185.0	7,274.4	8,070.1	411.8	274.1	**17,215.4**
Borrowings	–	1,876.0	2,472.9	–	1,759.5	**6,108.4**
Other liabilities	–	1,312.2	1,643.7	–	116.8	**3,072.7**
Total liabilities	–	3,188.2	4,116.6	–	1,876.3	**9,181.1**
Other Information – Continuing Operations						
Depreciation and amortization	–	(229.5)	(136.2)	–	(12.3)	**(378.0)**
Gain on changes in fair value of biological assets	–	16.4	–	–	–	**16.4**
Impairment losses	–	(20.2)	(92.1)	–	–	**(112.3)**
Interest income	–	40.9	8.7	–	6.7	**56.3**
Finance costs	–	(125.8)	(141.5)	–	(98.9)	**(366.2)**
Share of profits less losses of associated companies and joint ventures	93.2	7.6	152.9	(29.2)	–	**224.5**
Taxation	–	(190.0)	(84.0)	–	(12.3)	**(286.3)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	–	268.7	890.5	–	0.1	**1,159.3**

By Geographical Market – 2016

For the year ended/at 31 December US$ millions	The Philippines	Indonesia	Australasia	Singapore	Others	**2016** **Total**
Revenue						
Turnover	1,209.6	4,623.5	13.5	591.3	341.1	**6,779.0**
Assets						
Non-current assets (other than financial instruments and deferred tax assets)	8,329.9	3,265.6	514.4	1,053.6	76.1	**13,239.6**

By Principal Business Activity – 2015

For the year ended/at 31 December US$ millions	Telecom- munications	Consumer Food Products	Infrastructure	Natural Resources	Head Office	2015 (Restated) Total
Revenue						
Turnover	–	4,957.0	1,480.0	–	–	6,437.0
Results						
Recurring profit	180.7	133.4	107.5	4.9	(139.0)	287.5
Assets and Liabilities						
Non-current assets (other than financial instruments and deferred tax assets)						
– Associated companies and joint ventures	1,240.6	632.7	2,028.7	458.5	–	4,360.5
– Others	–	3,745.9	4,463.6	–	23.7	8,233.2
	1,240.6	4,378.6	6,492.3	458.5	23.7	12,593.7
Other assets	–	2,434.1	988.7	–	119.9	3,542.7
Segment assets	1,240.6	6,812.7	7,481.0	458.5	143.6	16,136.4
Assets classified as held for sale	–	1,031.2	31.4	–	–	1,062.6
Total assets	1,240.6	7,843.9	7,512.4	458.5	143.6	17,199.0
Borrowings	–	2,204.3	2,368.2	–	1,789.4	6,361.9
Other liabilities	–	1,135.3	1,701.3	–	229.9	3,066.5
Segment liabilities	–	3,339.6	4,069.5	–	2,019.3	9,428.4
Liabilities directly associated with the assets classified as held for sale	–	436.2	–	–	–	436.2
Total liabilities	–	3,775.8	4,069.5	–	2,019.3	9,864.6
Other Information – Continuing Operations						
Depreciation and amortization	–	(207.6)	(126.5)	–	(14.4)	(348.5)
Gain on changes in fair value of biological assets	–	0.7	–	–	–	0.7
Impairment losses	–	(7.9)	–	(89.1)	–	(97.0)
Interest income	–	62.0	10.2	–	6.0	78.2
Finance costs	–	(137.2)	(137.4)	–	(100.2)	(374.8)
Share of profits less losses of associated companies and joint ventures	116.9	(8.5)	114.6	6.7	–	229.7
Taxation	–	(125.5)	(46.7)	–	(15.1)	(187.3)
Additions to non-current assets (other than financial instruments and deferred tax assets)	–	1,200.3	1,176.1	–	0.2	2,376.6

By Geographical Market – 2015

For the year ended/at 31 December US$ millions	The Philippines	Indonesia	Australasia	Singapore	Others	2015 (Restated) Total
Revenue						
Turnover	1,023.8	4,363.5	14.2	695.7	339.8	6,437.0
Assets						
Non-current assets (other than financial instruments and deferred tax assets)	7,624.9	3,156.9	517.9	1,211.0	83.0	12,593.7

There are no revenue transactions with a single customer that accounted for 10% or more of the Group's consolidated revenues during the year (2015: None).

A reconciliation between profit before taxation as shown in the consolidated income statement and recurring profit is as follows.

US$ millions	**2016**	2015 (Restated)
Profit before taxation		
From continuing operations	**784.1**	580.0
From a discontinued operation (Note 8(B))	**38.1**	36.4
Exclusion of:		
– Foreign exchange and derivative (gains)/losses, net (Note 9)	**(5.4)**	107.7
– (Gain)/loss on changes in fair value of biological assets	**(16.4)**	0.9
– Non-recurring items	**206.9**	167.3
Deduction of attributable taxation and non-controlling interests	**(742.4)**	(604.8)
Recurring Profit	**264.9**	287.5

5. Finance Costs

US$ millions	**2016**	2015
Finance costs on bank loans and other loans	**427.5**	411.1
Less: Finance costs capitalized in		
– Intangible assets	**(49.2)**	(24.4)
– Property, plant and equipment	**(12.1)**	(11.9)
Total	**366.2**	374.8

The capitalization rate of borrowings costs for 2016 was 21.1% (2015: 13.2%).

6. Profit Before Taxation

US$ millions	Notes	**2016**	2015 (Restated)
Profit Before Taxation (from Continuing Operations) is Stated after (Charging)/Crediting			
Cost of inventories sold		**(2,853.5)**	(2,704.1)
Employees' remuneration		**(750.0)**	(675.5)
Cost of services rendered		**(333.2)**	(269.0)
Depreciation		**(267.6)**	(242.8)
Amortization of intangible assets[i]	16	**(98.2)**	(92.9)
Impairment losses			
– Goodwill[ii]	15	**(66.1)**	–
– Associated companies and joint ventures[ii]		**(16.2)**	(89.1)
– Other intangible assets[ii]	16	**(12.4)**	–
– Other non-current assets[ii]		**(9.9)**	–
– Inventories[iii]		**(5.4)**	(7.0)
– Accounts receivable[iv]	18(C)	**(2.3)**	(0.9)
Operating lease rentals			
– Land and buildings		**(12.2)**	(12.3)
– Hire of plant and equipment		**(10.1)**	(11.3)
– Others		**(3.5)**	(3.7)
Auditors' remuneration			
– Audit services		**(4.1)**	(3.8)
– Non-audit services[v]		**(0.3)**	(0.6)
Provision for onerous contracts, net		**(0.9)**	(10.5)
Preferred share dividend income net from a joint venture		**25.5**	8.9
Gain on changes in fair value of biological assets		**16.4**	0.7
Foreign exchange and derivative gains/(losses), net		**8.0**	(87.4)
Dividends income from available-for-sale assets		**5.4**	3.8
Gain on disposal of available-for-sale assets		**2.6**	–
Gain on sale of property, plant and equipment		**0.2**	0.3

(i) US$78.1 million (2015: US$74.3 million) included in cost of sales, US$14.6 million (2015: US$14.5 million) included in other operating expenses, net and US$5.5 million (2015: US$42.9 million) included in administrative expenses
(ii) Included in other operating expenses, net
(iii) Included in cost of sales
(iv) Included in selling and distribution expenses
(v) Pertains to due diligence, review of continuing connected transactions and other transactions relating to the Group's business development

7. Taxation

No Hong Kong profits tax (2015: Nil) has been provided as the Group had no estimated assessable profits (2015: Nil) arising in Hong Kong for the year. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

US$ millions	**2016**	2015 (Restated)
Subsidiary Companies – Overseas		
Current taxation	**289.4**	190.7
Deferred taxation	**(3.1)**	(3.4)
Total	**286.3**	187.3

Included within the share of profits less losses of associated companies and joint ventures is taxation of US$90.5 million (2015: US$76.7 million) which is analyzed as follows.

US$ millions	2016	2015
Associated Companies and Joint Ventures – Overseas		
Current taxation	**138.9**	128.5
Deferred taxation	**(48.4)**	(51.8)
Total	**90.5**	76.7

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

US$ millions	2016	%	2015 (Restated)	%
Profit Before Taxation from Continuing Operations	**784.1**		580.0	
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**230.7**	**29.4**	194.8	33.6
Tax effect of:				
– Non-deductible expenses	**58.2**	**7.4**	32.4	5.6
– Income not subject to tax	**(19.2)**	**(2.4)**	(30.3)	(5.2)
– Share of profits less losses of associated companies and joint ventures	**(42.8)**	**(5.5)**	(44.0)	(7.6)
– Others	**59.4**	**7.6**	34.4	5.9
Taxation	**286.3**	**36.5**	187.3	32.3

8. A Discontinued Operation

On 31 December 2014, Indofood engaged in a discussion with CMZ BVI, a company beneficially owned by the management of CMZ, to divest a majority interest of approximately 52.9% in CMZ at a price of S$1.2 (US$0.84) per share, thereby reducing Indofood's interests in CMZ from 82.9% to approximately 30%. On 14 October 2015, Indofood and CMZ BVI entered into a binding Memorandum of Understanding (MOU) which sets out the terms upon which they will continue to discuss and work towards finalization of a definitive sale and purchase agreement for the proposed transaction. In consideration of Indofood entering into the MOU, CMZ BVI paid Indofood earnest sums of S$40 million (US$28.0 million) by 30 December 2015, which shall be treated as part of the consideration payable to Indofood upon the consummation of the proposed transaction. CMZ was classified as a disposal group held for sale at 31 December 2014 and 2015 and a discontinued operation in the Group's 2014 and 2015 annual consolidated financial statements. Prior to the classification as a discontinued operation, the operation of CMZ was reported as the cultivation and processed vegetables group of the Group's consumer food product business segment and the People's Republic of China geographical segment.

On 6 September 2016, Indofood, Marvellous BVI, indirectly owned as to approximately 93.0% by Mr Anthoni Salim and 7.0% by CMZ BVI, and CMZ BVI entered into an implementation agreement to amend the structure of the transaction contemplated by the MOU entered between Indofood and CMZ BVI on 14 October 2015 whereby the offeror of the contemplated transaction has been changed from CMZ BVI to Marvellous BVI.

At First Pacific's special general meeting held on 19 October 2016 and Indofood's extraordinary general meeting held on 21 October 2016, approvals were obtained from the independent shareholders for the implementation agreement.

Immediately thereafter, Marvellous BVI launched a voluntary general offer to all CMZ shareholders to acquire all the issued CMZ shares at an offer price of S$1.2 per share (US$0.84), which may either be received by the CMZ shareholders (i) fully in cash or (ii) by a combination of cash of S$0.7665 (US$0.54) per share and zero coupon mandatory exchangeable bonds (EB) in the principal amount of S$0.4335 per share (US$0.30). The EB must be exchanged into CMZ shares at S$1.2 per share (US$0.84) during the two-month exchange period from 8 February 2017 (two months from the date of close of the offer on 8 December 2016) to 7 April 2017.

On 7 December 2016, Indofood accepted the offer in respect of its entire 82.9% interest in CMZ and elected to receive in return a combination of cash and EB consideration with an aggregate value of S$651.9 million (US$455.6 million), comprising approximately cash of S$416.4 million (US$291.0 million) and EB with a total principal amount of S$235.5 million (US$164.6 million), exchangeable into an approximately 29.9% interest in CMZ. Following the completion of the offer on 16 December 2016, CMZ ceased to be a subsidiary company of Indofood and the Group. The EB acquired by Indofood in connection with this transaction were accounted for as non-current available-for-sale assets. CMZ was delisted from the Singapore Stock Exchange on 28 February 2017.

(A) Details of the Disposal of CMZ are Summarized as Follows:

US$ millions	2016
Consideration	
Cash and cash equivalents	263.0
Available-for-sale assets (Non-current)(i)	164.6
Accounts payable, other payables and accruals(ii)	28.0
Total	455.6
Net Assets Disposed	
Property, plant and equipment	200.9
Biological assets (Non-current)	21.6
Deferred tax assets	3.3
Other non-current assets	32.9
Cash and cash equivalents	4.3
Time deposits with original maturity of more than three months	645.2
Accounts receivable, other receivables and prepayments (Current)	23.4
Inventories	5.5
Biological assets (Current)	2.3
Accounts payable, other payables and accruals	(66.9)
Short-term borrowings	(146.1)
Provision for taxation	(2.2)
Current portion of deferred liabilities, provisions and payables	(0.4)
Long-term borrowings	(87.8)
Deferred liabilities, provisions and payables	(1.7)
Deferred tax liabilities	(39.0)
Total Net Assets Disposed	595.3
Non-controlling interests in net assets disposed	(110.2)
Total Share of Net Assets Disposed	485.1
Cumulative Reserves Reclassified from Equity on Disposal:	
– Exchange reserve	(45.0)
– Unrealized losses on cash flow hedges	18.5
	458.6
Loss on Disposal of a Discontinued Operation (Note 8(B))	(3.0)
Net Cash Inflow per the Consolidated Statement of Cash Flows	258.7

(i) Represents EB received in connection with the disposal
(ii) Represents the earnest sum received in December 2015

(B) The Results of CMZ for the Year are as Follows:

US$ millions	For 1 January 2016 to 16 December 2016 (the date of disposal)	For the year ended 2015
Turnover	**246.9**	279.1
Cost of sales	**(177.4)**	(193.1)
Gross Profit	**69.5**	86.0
Selling and distribution expenses	**(3.9)**	(6.5)
Administrative expenses	**(23.5)**	(24.2)
Other operating income/(expense), net	**8.3**	(17.1)
Interest income	**10.3**	15.4
Finance costs	**(19.6)**	(17.2)
Profit from a Discontinued Operation	**41.1**	36.4
Loss on disposal of a discontinued operation (Note 8(A))	**(3.0)**	–
Profit Before Taxation from a Discontinued Operation (Note 4)	**38.1**	36.4
Taxation related to profit from a discontinued operation	**(3.3)**	(10.2)
	34.8	26.2
Transaction costs, mainly capital gains tax	**(14.8)**	–
Profit for the Year from a Discontinued Operation	**20.0**	26.2

(C) The Net Cash Flows of CMZ Consolidated by the Group for the Year are as Follows:

US$ millions	2016	2015
Operating activities	**11.6**	194.8
Investing activities	**(13.2)**	(170.2)
Financing activities	**(29.1)**	(35.4)
Net Cash Outflows	**(30.7)**	(10.8)

(D) The Major Classes of Assets, Liabilities and Reserves Associated with CMZ Classified as Held for Sale at 31 December 2015 are as Follows:

US$ millions	2015
Assets	
Property, plant and equipment	212.4
Biological assets (Non-current)	20.6
Deferred tax assets	0.7
Other non-current assets	30.7
Cash and cash equivalents and short-term deposits	704.9
Accounts receivable, other receivables and prepayments (Current)	52.9
Inventories	6.2
Biological assets (Current)	2.8
Assets of a Disposal Group Classified as Held for Sale (Note 25)	1,031.2
Liabilities	
Accounts payable, other payables and accruals	152.1
Short-term borrowings	136.7
Provision for taxation	1.5
Current portion of deferred liabilities, provisions and payables	0.4
Long-term borrowings	128.7
Deferred liabilities, provisions and payables	4.5
Deferred tax liabilities	12.3
Liabilities Directly Associated with the Assets Classified as Held for Sale	436.2
Net Assets Directly Associated with the Disposal Group	595.0
Reserves	
Exchange reserve	25.0
Unrealized losses on cash flow hedges	(3.4)
Capital and other reserves	4.1
Reserves Directly Associated with the Disposal Group	25.7

The carrying amount of CMZ classified as held for sale at 31 December 2015 was measured at the lower of its carrying amount and fair value less costs to sell, which was determined using the quoted price of CMZ adjusted with control premium (Level 2 fair value measurement).

9. Profit Attributable to Owners of the Parent

The profit attributable to owners of the parent includes US$9.1 million (2015: US$48.5 million) of net foreign exchange and derivative losses, which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated net borrowings and payables and the changes in the fair values of derivatives, US$2.6 million (2015: US$0.2 million (Restated)) of gain on changes in fair value of biological assets and US$155.2 million (2015: US$158.6 million) of net non-recurring losses.

Analysis of Foreign Exchange and Derivative Gains/(Losses), Net

US$ millions	**2016**	2015
Foreign exchange and derivative gains/(losses)		
– Subsidiary companies	**5.3**	(93.4)
– Associated companies and joint ventures	**0.1**	(14.3)
Subtotal (Note 4)	**5.4**	(107.7)
Attributable to taxation and non-controlling interests	**(14.5)**	59.2
Total	**(9.1)**	(48.5)

The non-recurring losses represent certain items, through occurrence or size, which are not considered as usual operating items. 2016's non-recurring losses of US$155.2 million mainly represent the Group's impairment provisions for assets, including FPM Power's goodwill related to its investment in PLP (US$44.8 million), PLDT's investment in Rocket Internet shares and other intangible assets (US$35.4 million), Philex's deferred exploration costs and other assets (US$31.4 million) and MPIC's investment in Landco (US$6.8 million), PLP's provision for onerous contracts (US$6.0 million) and MPIC's project expenses (US$3.8 million). 2015's non-recurring losses of US$158.6 million mainly represent the Group's impairment provision in respect of its investment in Philex (US$89.1 million), PLDT's impairment provisions for its fixed assets affected by network upgrade (US$32.7 million) and investment in Rocket Internet shares (US$28.7 million) and MPIC's project expenses (US$5.7 million).

10. Earnings Per Share Attributable to Owners of the Parent

The calculation of the basic earnings per share from continuing operations is based on the profit for the year attributable to owners of the parent from continuing operations of US$95.9 million (2015: US$69.7 million (Restated)) and the weighted average number of ordinary shares of 4,275.8 million (2015: 4,274.2 million) in issue less shares held for a share award scheme of 9.3 million (2015: 7.2 million) during the year.

The calculation of the basic earnings per share from a discontinued operation is based on the profit for the year attributable to owners of the parent from a discontinued operation of US$7.3 million (2015: US$10.9 million) and the weighted average number of ordinary shares of 4,275.8 million (2015: 4,274.2 million) in issue less shares held for a share award scheme of 9.3 million (2015: 7.2 million) during the year.

The calculation of the diluted earnings per share from continuing operations is based on: (a) the profit for the year attributable to owners of the parent from continuing operations of US$95.9 million (2015: US$69.7 million (Restated)) reduced by the dilutive impacts of US$0.1 million (2015: US$0.1 million) in respect of the exercise of share options issued by the Group's subsidiary companies and (b) a share base equal to the aggregate of the weighted average number of ordinary shares of 4,275.8 million (2015: 4,274.2 million) in issue less shares held for a share award scheme of 9.3 million (2015: 7.2 million) during the year (as used in the basic earnings per share calculation) and the weighted average number of ordinary shares of 5.4 million (2015: 18.3 million) assumed to have been issued at no consideration on the deemed exercise of all dilutive share options of the Company during the year.

The calculation of the diluted earnings per share from a discontinued operation is based on: (a) the profit for the year attributable to owners of the parent from a discontinued operation of US$7.3 million (2015: US$10.9 million) and (b) a share base equal to the aggregate of the weighted average number of ordinary shares of 4,275.8 million (2015: 4,274.2 million) in issue less shares held for a share award scheme of 9.3 million (2015: 7.2 million) during the year (as used in the basic earnings per share calculation) and the weighted average number of ordinary shares of 5.4 million (2015: 18.3 million) assumed to have been issued at no consideration on the deemed exercise of all dilutive share options of the Company during the year.

11. Ordinary Share Distribution

	U.S. cents per ordinary share		US$ millions	
	2016	2015	**2016**	2015
Interim	**1.03**	1.03	**44.0**	44.0
Proposed final	**0.71**	0.71	**30.1**	30.2
Total	**1.74**	1.74	**74.1**	74.2

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

12. Property, Plant and Equipment

US$ millions	Land and buildings	Machinery, equipment and vessels	Bearer plants	Construction in progress	**Total**
Cost					
At 1 January 2016					
As previously reported	1,266.0	2,635.0	–	260.0	**4,161.0**
Prior year adjustments (Note 2(B))	–	–	965.9	–	**965.9**
As restated	1,266.0	2,635.0	965.9	260.0	**5,126.9**
Exchange translation	10.0	41.4	25.4	6.5	**83.3**
Additions	16.8	92.7	55.9	109.7	**275.1**
Acquisition of subsidiary companies and a business (Note 35(E))	17.1	11.6	–	–	**28.7**
Disposals	(0.7)	(19.6)	(1.5)	–	**(21.8)**
Reclassification[(i)]	16.8	223.4	(5.8)	(239.8)	**(5.4)**
At 31 December 2016	1,326.0	2,984.5	1,039.9	136.4	**5,486.8**
Accumulated Depreciation and Impairment					
At 1 January 2016					
As previously reported	211.3	888.6	–	–	**1,099.9**
Prior year adjustments (Note 2(B))	–	–	247.8	–	**247.8**
As restated	211.3	888.6	247.8	–	**1,347.7**
Exchange translation	0.5	10.2	6.4	–	**17.1**
Depreciation for the year (Note 6)	55.2	181.5	30.9	–	**267.6**
Disposals	(0.3)	(15.5)	(0.3)	–	**(16.1)**
At 31 December 2016	266.7	1,064.8	284.8	–	**1,616.3**
Net Carrying Amount at 31 December 2016	1,059.3	1,919.7	755.1	136.4	**3,870.5**

(i) Reclassification from investment properties to land and building and from bearer plants to other non-current assets and biological assets

US$ millions	Land and buildings	Machinery, equipment and vessels	Bearer plants	Construction in progress	Total (Restated)
Cost					
At 1 January 2015					
As previously reported	1,168.6	2,354.9	–	184.3	3,707.8
Prior year adjustments (Note 2(B))	–	–	1,004.2	–	1,004.2
As restated	1,168.6	2,354.9	1,004.2	184.3	4,712.0
Exchange translation	(124.6)	(158.4)	(100.7)	(20.9)	(404.6)
Additions	28.1	120.8	64.6	171.5	385.0
Acquisition of subsidiary companies and business (Note 35(E))	177.0	243.8	–	10.4	431.2
Disposals	(8.2)	(11.4)	–	–	(19.6)
Reclassification[i]	25.1	85.3	(2.2)	(85.3)	22.9
At 31 December 2015	1,266.0	2,635.0	965.9	260.0	5,126.9
Accumulated Depreciation and Impairment					
At 1 January 2015					
As previously reported	174.0	802.0	–	–	976.0
Prior year adjustments (Note 2(B))	–	–	244.4	–	244.4
As restated	174.0	802.0	244.4	–	1,220.4
Exchange translation	(9.0)	(66.9)	(24.8)	–	(100.7)
Depreciation for the year (Note 6)	49.2	165.4	28.2	–	242.8
Disposals	(2.9)	(11.9)	–	–	(14.8)
At 31 December 2015	211.3	888.6	247.8	–	1,347.7
Net Carrying Amount at 31 December 2015	1,054.7	1,746.4	718.1	260.0	3,779.2

(i) Reclassification from other non-current assets to land and building and from bearer plants to other non-current assets and biological assets

(A) The principal annual rates of depreciation:

Freehold land	Nil
Leasehold land under finance leases	Over the lease terms
Buildings	2.5% to 20.0%
Machinery, equipment and vessels	3.3% to 50.0%
Bearer plants	4.0% to 25.0%
Construction in progress	Nil

(B) Property, plant and equipment with a net carrying amount of US$1,155.2 million (2015: US$1,130.5 million) were pledged as security for certain of the Group's banking facilities (Note 27(D)).

13. Biological Assets

US$ millions	Timber plantations 2016	Timber plantations 2015 (Restated)	Agricultural produce of bearer plants 2016	Agricultural produce of bearer plants 2015 (Restated)	Total 2016	Total 2015 (Restated)
At 1 January						
As previously reported	**–**	–	**–**	–	**–**	–
Prior year adjustments (Note 2(B))	**26.2**	24.6	**13.9**	18.7	**40.1**	43.3
As restated	**26.2**	24.6	**13.9**	18.7	**40.1**	43.3
Exchange translation	**0.6**	(2.5)	**0.3**	(1.9)	**0.9**	(4.4)
Additions	**2.6**	0.1	**12.4**	13.4	**15.0**	13.5
Decreases due to harvest	**(2.4)**	–	**(11.1)**	(13.1)	**(13.5)**	(13.1)
Reclassification[(i)]	**0.1**	0.1	**–**	–	**0.1**	0.1
(Loss)/gain on changes in fair value of biological assets, net	**(2.9)**	3.9	**19.3**	(3.2)	**16.4**	0.7
At 31 December	**24.2**	26.2	**34.8**	13.9	**59.0**	40.1
Presented as:						
Non-current Portion	**24.2**	26.2	**–**	–	**24.2**	26.2
Current Portion	**–**	–	**34.8**	13.9	**34.8**	13.9
Total	**24.2**	26.2	**34.8**	13.9	**59.0**	40.1

(i) From property, plant and equipment

(A) The Group's biological assets primarily comprise timber plantations, and agricultural produce of bearer plants owned by Indofood. For timber plantations, the Group appointed an independent valuer, KJPP Benedictus Darmapuspita dan Rekan, to determine their fair value annually and any resultant gains or losses arising from the changes in fair values is recognized in the profit or loss. The independent valuer adopted the income approach for the fair valuation of timber using a discounted cash flow model. The cash flow models estimate the relevant future cash flows which are expected to be generated in the future, and are discounted to the present value by using a discount rate. For the agricultural produce of bearer plants, which mainly comprise FFB and sugar cane, the Group adopted the income approach to measure their fair value. For the valuation of unharvested FFB, the Group has applied the actual harvest data subsequent to year end to derive their fair value at year end. For the valuation of sugar cane, the Group has applied discounted cash flow model to derive its fair value.

(B) Timber plantations – Key assumptions applied in determining the fair values of the timber plantations are as follows.

(a) Timber trees are available for harvest only once about eight years after initial planting.

(b) Discount rate used represents the asset specific rate for the Group's timber plantation operations which is applied in the discounted future cash flows calculation.

(c) The projected selling price of logs over the projection period are based on the actual domestic price of the produce which is extrapolated based on changes of plywood log price published by World Bank.

(C) FFB – Key assumptions applied in determining the fair values of FFB are as follows.

(a) Estimated volume of subsequent harvest as of reporting date.

(b) Selling price of FFB based on the market price at year end.

(D) Sugar cane – Key assumptions applied in determining the fair values of the sugar cane are as follows.

(a) Cane trees are available for annual harvest 12 months after initial planting.

(b) Discount rate used represents the asset specific rate for the Group's sugar cane produce which is applied in the discounted future cash flows calculation.

(c) The projected selling price of sugar over the projection period is based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher.

(E) The fair value of agricultural produce harvested in 2016 was US$180.2 million (2015: US$133.8 million).

(F) The Group's timber plantations and sugar cane are measured using fair value categorized within Level 3 of the fair value hierarchy and its FFB are measured using fair value categorized within Level 2 of the fair value hierarchy. During the year, there were no transfers (2015: None) among Level 1, Level 2 and Level 3 fair value measurements. Key unobservable inputs used in determining the fair value of the Group's timber plantations, FFB and sugar cane are as follows:

Inputs	Range of Quantitative Inputs	Relationship between the Inputs and the Fair Value
Discount rate (Level 2)	Timber: 9.0% (2015: 9.3%) Sugar cane: 12.1% (2015: 11.7%)	An increase/decrease in the discount rate would result in a decrease/increase in the fair value of biological assets.
Price of processed agricultural produce (Level 3 for Timber and Sugar Cane, Level 2 for FFB)	Timber: Rupiah 541,279/m^3 – Rupiah 1,470,100/m^3 (US$40.3/$m^3$ – US$109.4/$m^3$) (2015: Rupiah 529,687/$m^3$ – Rupiah 590,712/m^3 (US$38.4/$m^3$ – US$42.8/$m^3$)) FFB: Rupiah 1,856/kg (US$0.14/kg) (2015: Rupiah 1,140/kg (US$0.08/kg)) Sugar cane: Rupiah 573,742/tonnes (US$42.7/tonnes) (2015: Rupiah 506,540/tonnes (US$36.7/tonnes))	An increase/decrease in the commodity prices would result in an increase/decrease in fair value of biological assets.
Average production yield of agricultural produce (Level 3 for Timber and Sugar Cane, Level 2 for FFB)	Timber: 129 m^3/hectare (2015: 172 m^3/hectare) FFB: 14.6 tonnes/hectare (2015: 18.2 tonnes/hectare) Sugar Cane – cane: 71 tonnes/hectare (2015: 60 tonnes/hectare)	An increase/decrease in production yields would result in an increase/decrease in the fair value of biological assets.
Exchange rate (Level 3)	Rupiah 13,300/US$1 – Rupiah 13,600/US$1 (2015: Rupiah 13,500/US$1 – Rupiah 13,900/US$1)	A depreciation/an appreciation in the exchange rate of the rupiah against the U.S. dollar would result in an increase/decrease in the fair value of biological assets.
Inflation rate (Level 3)	3.5% – 4.0% (2015: 3.5% – 4.7%)	An increase/decrease in the inflation rate would result in a decrease/increase in fair value of biological assets.

(G) The unaudited non-financial measure and output of agricultural produce are as follows.

The total area of timber plantations as at 31 December 2016 is 16,191 hectare (2015: 16,216 hectares).

The physical quantities of agricultural produces of FFB and sugar cane harvested from oil palm plantations and cane plantations, respectively, during the year are as follows.

Thousand tonnes	**2016**	2015
FFB	**2,981**	3,414
Sugar cane	**861**	746

14. Associated Companies and Joint Ventures

	Associated companies		Joint ventures		**Total**	
US$ millions	**2016**	2015	**2016**	2015	**2016**	2015
Shares, at cost						
– Listed	**3,703.4**	3,703.4	**–**	–	**3,703.4**	3,703.4
– Unlisted	**410.4**	413.1	**1,448.1**	1,202.4	**1,858.5**	1,615.5
Share of post-acquisition reserves (Note 32)	**(1,439.2)**	(1,277.2)	**80.1**	(51.0)	**(1,359.1)**	(1,328.2)
Preferred shares, at cost	**–**	–	**414.8**	245.9	**414.8**	245.9
Amounts due from associated companies and joint ventures	**101.4**	107.8	**22.5**	16.1	**123.9**	123.9
Total	**2,776.0**	2,947.1	**1,965.5**	1,413.4	**4,741.5**	4,360.5

(A) At 31 December 2016, both the listed and unlisted investments were located outside Hong Kong.

(B) At 31 December 2016, the market valuation of listed investments in associated companies was US$2,851.5 million (2015: US$3,789.4 million) based on quoted market prices. The net dividends received from associated companies and joint ventures during 2016 amounted to US$306.7 million (2015: US$278.9 million).

(C) Details of the Group's principal associated companies, PLDT and Philex, and joint venture, FPW, which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on pages 237 and 238.

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

In October 2012, PLDT issued 150 million shares of Voting Preferred Stock with a par value of Peso 1 each to BTF Holdings, Inc. (BTFHI), a company wholly-owned by the Board of Trustees for the Account of PLDT's Beneficial Trust Fund, which reduced the voting interest of the Group and its Philippine affiliates in PLDT from approximately 25.6% to approximately 15.1%. Nevertheless, the economic interests of the Group and its Philippine affiliates in PLDT remained at approximately 25.6%. Notwithstanding that the Group and its Philippine affiliates have less than a 20% voting interest in PLDT, the Group and its Philippine affiliates have sufficient representatives in PLDT's current 13-member board of directors to exercise significant influence over the financial and operating policy decisions of PLDT. Therefore, the Group continued to account for PLDT as an associated company after the said transaction.

(E) Philex was incorporated under the laws of the Philippines in 1995 to engage in mining activities. Philex is primarily engaged in large-scale exploration, development and utilization of mineral resources. Philex has operated for the past 58 years at the deposit at Padcal (Tuba Benguet Province, Island of Luzons) for producing gold, copper and silver as its main products and owns the deposits at Boyongan and Bayugo (Surigao del Norte, the Northern of Mindanao) (the Silangan Project), which is currently under the exploration stage. In addition, Philex shall increase its interest in Kalayaan Copper Resources, Inc. from 5% to 60%, by solely funding all pre-development expenses of the deposit at Placer, Surigao del Norte (the Kalayaan Project).

(F) Meralco was incorporated under the laws of the Philippines in 1903 and was granted a franchise to provide electric power distribution services in the Philippines. In June 2003, Meralco was granted a new 25-year franchise to construct, operate, and maintain an electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities, and barangays in Batangas, Laguna, Pampanga, and Quezon. Meralco is subject to the rate-making regulations and regulatory policies of the Philippine Energy Regulatory Commission.

During 2013, Beacon Electric Asset Holdings Inc. (Beacon Electric), a 50%/50% joint venture formed by MPIC and PLDT Communications and Energy Ventures Inc. (PCEV, a 99.9%-owned subsidiary company of PLDT) with the main purpose to hold the respective shareholdings in Meralco, acquired in aggregate a 1.63% additional interest in Meralco which increased its interest in Meralco from 48.33% to 49.96%. During 2014, MPIC acquired a 5.0% interest in Meralco from Beacon Electric, which reduced Beacon Electric's interest in Meralco from 49.96% to 44.96%. During 2015, MPIC acquired an additional 10.0% interest in Meralco from Beacon Electric, which further reduced Beacon Electric's interest in Meralco from 44.96% to 34.96%. On 30 May 2016, MPIC acquired from PCEV an additional 25.0% interest in Beacon Electric, which increased its interest in Beacon Electric to 75.0% from 50.0%. In consideration of the agreement of PCEV to receiving the purchase price on installments, MPIC agreed that for as long as either (a) PCEV owns not less than 20.0% of the outstanding capital stock of Beacon Electric or (b) the purchase price for MPIC's acquisition of these Beacon shares has not been fully paid by MPIC, PCEV shall retain its right to vote for 50.0% of the outstanding capital stock of Beacon Electric.

In March 2010, MPIC subscribed Pesos 8.0 billion (US$161.1 million) of Beacon Electric's preferred shares and extended non-interest-bearing cash advances to Beacon Electric of Pesos 756 million (US$15.2 million), for which Pesos 144 million (US$2.9 million) was repaid in 2016 and Pesos 612 million (US$12.3 million) remained outstanding at 31 December 2016. In June 2012, MPIC acquired approximately Pesos 3.6 billion (US$71.7 million) of Beacon Electric's preferred shares. In May 2016, MPIC subscribed Pesos 3.5 billion (US$70.4 million) of Beacon Electric's preferred shares and acquired Pesos 5.8 billion (US$116.7 million) of Beacon Electric's preferred shares from PCEV (Note 39(A)). The preferred shares of Beacon Electric are non-voting, non-convertible to common shares or any shares of any class of Beacon Electric, have no pre-emptive rights to subscribe to any share or convertible debt securities or warrants issued or sold by Beacon Electric and entitle the preference shareholder to liquidation preference and yearly cumulative dividends. The preferred shares were stated at cost as there are no reliable sources and bases for subsequent fair value determination.

Meralco is an associated company of the Group in view of the Group's 15.0% direct interest in Meralco acquired and indirect interests in Meralco held through Beacon Electric as mentioned above, which allows the Group to exercise significant influence over Meralco by virtue of power to participate in its financial and operating policy decisions.

On 27 May 2016, Beacon Powergen Holdings, Inc. (Beacon PowerGen), a wholly owned-subsidiary of Beacon Electric, acquired a 56.0% interest in GBPC. GBPC is a leading power producer in Visayas Region and Mindoro Island in the Philippines.

(G) FPW was incorporated under the laws of Singapore on 27 June 2014, which became a 50%/50% joint venture owned by the Group and Wilmar since 17 February 2015. FPW's principal investment is a 100% interest in Goodman Fielder, following its acquisition of an additional 99.7% interest in Goodman Fielder on 17 March 2015. Goodman Fielder is primarily engaged in the manufacture, marketing and distribution of food ingredients and consumer branded food, beverage and related products, including packaged bread and other related goods, dairy products, flour, edible oils and meal components in Australasia.

(H) Amounts due from associated companies and joint ventures principally represent the Group's investment in SMECI's convertible notes of US$101.4 million (2015: US$107.1 million) and MPIC's advances to Beacon Electric of US$12.3 million (2015: US$16.1 million). The convertible notes were stated at cost as there are no reliable sources and bases for subsequent fair value determination.

(I) At 31 December 2016, the Group's share of its major joint venture's own contracted capital commitments amounted to US$2.2 million (2015: US$5.2 million), which principally relate to purchase of property, plant and equipment by Goodman Fielder.

(J) The Group's associated companies and joint ventures are involved in certain legal, contractual and regulatory matters arising from the ordinary course of business. The management of the associated companies and joint ventures, together with their legal counsels, reassess these matters regularly to consider any new relevant information and estimates.

(K) Additional financial information under HKFRS in respect of the Group's major associated companies, PLDT, Philex and Meralco is set out below.

For the year ended/at 31 December US$ millions	PLDT **2016**	 2015	Philex **2016**	 2015 (Restated)[i]	Meralco **2016**	 2015
Statements of Comprehensive Income						
Turnover	**3,297.9**	3,572.2	**203.8**	203.5	**5,395.0**	5,665.4
Profit for the year	**423.0**	484.0	**32.9**	17.0	**405.7**	420.7
Other comprehensive (loss)/income	**(51.5)**	(217.2)	**(1.5)**	4.1	**67.8**	(17.6)
Total Comprehensive Income	**371.5**	266.8	**31.4**	21.1	**473.5**	403.1
Dividends Received	**118.4**	177.9	**25.3**[ii]	0.9	**89.1**	35.6
Statements of Financial Position						
Current assets	**1,732.3**	1,943.1	**138.7**	112.0	**1,770.1**	2,025.0
Non-current assets	**7,823.6**	7,727.5	**638.9**	812.9	**4,184.0**	3,972.5
Current liabilities	**(3,660.8)**	(3,371.6)	**(112.2)**	(121.4)	**(2,103.8)**	(1,980.8)
Non-current liabilities	**(3,712.1)**	(3,878.7)	**(194.8)**	(223.7)	**(2,338.9)**	(2,298.4)
Non-controlling interests	**(7.3)**	(6.2)	**–**	(57.9)	**(14.7)**	(12.5)
Net Assets	**2,175.7**	2,414.1	**470.6**	521.9	**1,496.7**	1,705.8

(i) Information in respect of Philex for 2015 have been restated to reflect the presentation of PXP as a discontinued operation.
(ii) Includes property dividend of PXP shares of US$24.0 million and cash dividends of US$1.3 million.

Reconciliation to Carrying Amounts of the Group's Interests in the Major Associated Companies

At 31 December US$ millions	PLDT **2016**	 2015	Philex **2016**	 2015	Meralco **2016**	 2015
Net assets	**2,175.7**	2,414.1	**470.6**	521.9	**1,496.7**	1,705.8
Economic interest	**25.6%**	25.6%	**46.2%**	46.2%	**15.0%**	15.0%
Group's share of net assets	**557.0**	618.0	**217.4**	241.1	**224.5**	255.9
Purchase price allocation and other adjustments	**628.0**	622.6	**93.0**	110.3	**560.6**	597.5
Carrying amount of investment in SMECI's convertible notes	**–**	–	**101.4**	107.1	**–**	–
Carrying Amount of the Investment	**1,185.0**	1,240.6	**411.8**	458.5	**785.1**	853.4

(L) Additional financial information under HKFRS in respect of the Group's major joint ventures, Beacon Electric and FPW, is set out below.

For the year ended/at 31 December US$ millions	Beacon Electric 2016	 2015	FPW[(i)] 2016	 2015
Statements of Comprehensive Income				
Turnover	**–**	–	**1,488.5**	1,116.7
Share of profit of associated companies	**147.2**	151.3	**1.8**	1.5
Profit for the year	**132.6**	143.4	**36.4**	24.7
Other comprehensive income/(loss)	**23.9**	(10.9)	**0.2**	(39.8)
Total Comprehensive Income	**156.5**	132.5	**36.6**	(15.1)
Statements of Financial Position				
Current assets	**62.7**	231.1	**305.4**	289.8
Non-current assets	**1,957.1**	1,866.4	**1,452.7**	1,440.3
Current liabilities	**(26.0)**	(26.2)	**(1,379.8)**	(1,173.2)
Non-current liabilities	**(214.4)**	(258.2)	**(189.2)**	(356.6)
Non-controlling interests	**–**	–	**–**	(12.6)
Net Assets	**1,779.4**	1,813.1	**189.1**	187.7
Additional Information for Amounts Included in the Above Line Items				
Interest income	**4.7**	10.0	**0.4**	0.5
Depreciation and amortization	**–**	–	**(46.1)**	(41.2)
Finance costs	**(19.2)**	(38.8)	**(25.6)**	(23.0)
Taxation	**–**	–	**(22.4)**	(9.1)
Cash and cash equivalents and short-term deposits	**62.5**	48.2	**81.4**	99.1
Current financial liabilities, excluding trade and other payables and provisions	**(24.0)**	(23.0)	**(1,151.4)**	(959.8)
Non-current financial liabilities, excluding trade and other payables and provisions	**(200.7)**	(237.5)	**(143.3)**	(313.4)

(i) Information in respect of FPW only relates to 17 February 2015 (the date becoming a joint venture of the Group) and after.

Reconciliation to Carrying Amounts of the Group's Interests in the Major Joint Ventures

At 31 December US$ millions	Beacon Electric 2016	 2015	FPW 2016	 2015
Net assets	**1,779.4**	1,813.1	**189.1**	187.7
Equity attributable to preferred shareholders (including dividend in arrears)	**(606.6)**	(560.7)	**–**	–
Net assets attributable to common shareholders	**1,172.8**	1,252.4	**189.1**	187.7
Economic interest	**75.0%**	50.0%	**50.0%**	50.0%
Group's share of net assets	**879.6**	626.2	**94.6**	93.9
Purchase price allocation and other adjustments	**80.1**	(43.0)	**38.2**	37.7
Carrying amount of the investment	**959.7**	583.2	**132.8**	131.6
Carrying amount of investments in Beacon Electric's preferred shares	**414.8**	245.9	**–**	–
Advances to Beacon Electric	**12.3**	16.1	**–**	–
Loan to FPW	**–**	–	**381.6**	386.3
Total	**1,386.8**	845.2	**514.4**	517.9

(M) Aggregate financial information of the Group's share of the amounts of its associated companies and joint ventures that are not individually material is set out below.

For the year ended/at 31 December US$ millions	Associated companies **2016**	 2015	Joint ventures **2016**	 2015
Share of profit/(loss) for the year	**14.0**	9.4	**(0.1)**	(12.6)
Share of other comprehensive income/(loss)	**4.8**	(4.9)	**6.8**	(12.5)
Share of Total Comprehensive Income/(Loss)	**18.8**	4.5	**6.7**	(25.1)
Aggregate carrying amount of the Group's investments	**394.1**	393.9	**54.1**	50.3
Amounts due from associated companies and joint ventures	**–**	0.7	**10.2**	–
Total Carrying Amounts	**394.1**	394.6	**64.3**	50.3

15. Goodwill

US$ millions		**2016**	2015
Cost			
At 1 January		**1,033.1**	1,067.9
Exchange translation		**(14.8)**	(62.6)
Acquisition of subsidiary companies and a business (Note 35(E))		**57.1**	27.8
Other movements		**(3.5)**	–
At 31 December		**1,071.9**	1,033.1
Accumulated Impairment			
At 1 January		**9.3**	10.3
Exchange translation		**0.2**	(1.0)
Impairment during the year (Note 6)		**66.1**	–
At 31 December		**75.6**	9.3
Net Book Amount at 31 December		**996.3**	1,023.8
Attributable to the Businesses of:			
Indofood	– Plantations	**242.7**	236.3
	– Dairy	**119.3**	116.2
MPIC	– Water distribution	**101.8**	109.9
	– Toll roads	**215.5**	227.7
FPM Power	– Power	**199.6**	265.7
Others		**117.4**	68.0
Total		**996.3**	1,023.8

(A) Goodwill is allocated to the Group's cash-generating units identified according to the reportable segments. The goodwill amounts at 31 December 2016 and 31 December 2015 mainly relate to (a) Indofood's businesses (principally plantations and dairy) which contribute to the Group's consumer food products business segment located in Indonesia, (b) MPIC's businesses (principally water distribution, wastewater and sewage treatment and toll roads) which contribute to the Group's infrastructure business segment located in the Philippines and (c) FPM Power's power business, through the electricity generation and sales business conducted by its subsidiary company, PLP, which contributes to the Group's infrastructure business segment located in Singapore.

(B) In assessing the impairment for goodwill, the Group compares the carrying amounts of the underlying assets against their recoverable amounts (the higher of the assets' fair value less costs of disposal and their value in use). The recoverable amounts of Indofood's, MPIC's and PLP's businesses have been determined based on value in use calculations using cash flow projections covering periods from 5 years (for established plantations and the dairy companies) up to 10 years (for the plantation estates in early development stage) (2015: 5 years (for established plantations and the dairy companies) to 10 years (for the plantation estates in early development stage)) for Indofood's businesses, 19 to 21 years (2015: 20 to 22 years) of concession lives for MPIC's water distribution business, 17 to 29 years (2015: 18 to 30 years) of concession lives for MPIC's toll road business and 5 years (2015: 5 years) for PLP's power business. The discount rates applied to cash flow projections range from 7.9% to 15.4% (2015: 7.9% to 16.5%) for Indofood's businesses, 9.4% to 10.3% (2015: 8.7%) for MPIC's water distribution business, 8.8% (2015: 8.2%) for MPIC's toll road business and 8.8% (2015: 8.2%) for PLP's power business, which reflect the weighted average cost of capital of the relevant businesses.

In the assessment of the recoverable amount of Indofood's plantation businesses, the projected prices of CPO are based on the World Bank forecast for the projection period; the projected selling prices of RSS1 and other rubber products of the Group over the projection period are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank; the sugar prices used in the projection are based on the extrapolation of historical selling prices and the forecasted price trend from the World Bank or the minimum sugar price imposed by the Ministry of Trade of Indonesia, whichever is higher; and, the projected selling price of logs over the projection period are based on actual domestic price of produce which is extrapolated based on changes of plywood log price published by International Tropical Timber Organization and World Bank. The forecasted periods for Indofood's plantation businesses in early development stage are more than five years as the plantations mainly comprising of oil palm plantations are either in immature stage or early state of maturity and will only reach maturity in the fourth year. The cash flows beyond the projection periods are extrapolated using an estimated terminal growth rate of 5.2% (2015: 5.3%) which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

In the assessment of the recoverable amount of Indofood's dairy businesses, their values in use were calculated based on their cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period. The cash flows beyond the projection periods are extrapolated using an estimated terminal growth rate of 5.0% (2015: 5.0%) which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

In the assessment of the recoverable amount of MPIC's water distribution and toll road businesses, their values in use were calculated based on their cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period. The forecasted periods for MPIC's water distribution and toll road businesses are more than five years as management can reliably estimate the cash flows for their entire concession periods. The cash flows during the projection periods are derived using estimated average growth rates ranging from 1.1% to 3.3% (2015: 2.0% to 2.5%) for the water distribution business and from 2.5% to 5.0% (2015: 0.2% to 3.4%) for the toll road business, which does not exceed the long-term average growth rate of the industry in the Philippines where the businesses operate.

In the assessment of the recoverable amount of PLP's power business, its value in use were calculated based on their cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period. The cash flows beyond the projection periods are extrapolated using an estimated growth rate of 1.8% (2015: 2.2%) which does not exceed the long-term average growth rate of the industry in Singapore where the business operates.

Changes to the assumptions used by management to determine the recoverable amounts, in particular the discount and growth rates, can have a significant impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amounts of the goodwill for each of the cash-generating units to materially exceed the recoverable amounts.

During the year ended 31 December 2016, the Group has recognized an impairment loss of US$66.1 million in relation to the cash-generating unit of PLP's power business. The recoverable amount of the cash-generating unit is estimated to be US$550 million. The impairment loss arose mainly due to (a) continuous intense competition due to over-supply of electricity in the Singapore electricity market, and (b) the low crude oil prices affecting the price competitiveness of PLP (which is only fueled by liquefied natural gas) owing to the different pricing mechanisms between piped natural gas and liquefied natural gas.

16. Other Intangible Assets

US$ millions	Concession assets – Water distribution	Concession assets – Toll roads	Concession assets – Rail	Brands – Dairy	Brands and networks – Packaged drinking water	Customer list and licences – Wastewater and sewage treatment	Vesting contract – Power	Software and others	Total
Cost									
At 1 January 2016	1,965.2	1,257.3	119.6	282.6	66.5	–	15.3	10.5	**3,717.0**
Acquisition of subsidiary companies and a business (Note 35(E))	–	–	–	–	–	23.9	–	2.0	**25.9**
Additions	207.5	208.9	16.7	–	–	–	–	3.5	**436.6**
Exchange translation	(113.7)	(76.0)	(7.1)	7.6	1.9	(1.4)	(0.3)	(0.8)	**(189.8)**
At 31 December 2016	2,059.0	1,390.2	129.2	290.2	68.4	22.5	15.0	15.2	**3,989.7**
Accumulated Amortization									
At 1 January 2016	354.2	103.1	–	100.3	–	–	2.9	5.3	**565.8**
Charge for the year (Note 6)	60.7	17.4	–	14.6	–	0.6	1.6	3.3	**98.2**
Impairment during the year	–	–	–	–	12.4	–	–	–	**12.4**
Exchange translation	(22.4)	(6.2)	–	4.1	–	–	(0.1)	(0.8)	**(25.4)**
At 31 December 2016	392.5	114.3	–	119.0	12.4	0.6	4.4	7.8	**651.0**
Net Carrying Amount at 31 December 2016	1,666.5	1,275.9	129.2	171.2	56.0	21.9	10.6	7.4	**3,338.7**

US$ millions	Concession assets – Water distribution	Concession assets – Toll roads	Concession assets – Rail	Brands – Dairy	Brands and networks – Packaged drinking water	Customer list and licences – Wastewater and sewage treatment	Vesting contract – Power	Software and others	Total
Cost									
At 1 January 2015	1,898.1	706.1	–	313.4	73.8	–	16.3	9.5	3,017.2
Acquisition of subsidiary companies (Note 35(E))	–	–	–	–	–	–	–	0.8	0.8
Additions	166.6	604.9	123.4	–	–	–	–	0.9	895.8
Exchange translation	(99.5)	(53.7)	(3.8)	(30.8)	(7.3)	–	(1.0)	(0.7)	(196.8)
At 31 December 2015	1,965.2	1,257.3	119.6	282.6	66.5	–	15.3	10.5	3,717.0
Accumulated Amortization									
At 1 January 2015	316.3	90.7	–	93.7	–	–	1.5	3.2	505.4
Charge for the year (Note 6)	56.9	17.4	–	14.5	–	–	1.6	2.5	92.9
Exchange translation	(19.0)	(5.0)	–	(7.9)	–	–	(0.2)	(0.4)	(32.5)
At 31 December 2015	354.2	103.1	–	100.3	–	–	2.9	5.3	565.8
Net Carrying Amount at 31 December 2015	1,611.0	1,154.2	119.6	182.3	66.5	–	12.4	5.2	3,151.2

(A) Concession assets – Water distribution represents the exclusive right granted to Maynilad, PHI and MIBWSC to provide water distribution, sewerage services and water production and charge users for these services during its concession period.

Additions to the concession assets for water distribution include costs of rehabilitation, construction costs and concession fees paid and payable for expansion projects.

(a) Maynilad

In February 1997, Maynilad entered into a concession agreement with MWSS, with respect to the MWSS West Service Area. Under the concession agreement, MWSS grants Maynilad, the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required to provide water and sewerage services in the West Service Area for 25 years ending in 2022. In September 2009, MWSS approved an extension of its concession agreement with Maynilad for another 15 years to 2037. The legal titles to all property, plant and equipment contributed to the existing MWSS system by Maynilad during the concession period remain with Maynilad until the expiration date at which time, all rights, titles and interests in such assets will automatically vest to MWSS.

Under the concession agreement, Maynilad is entitled to (a) an annual standard rate adjustment to compensate for increases in the consumer price index subject to a rate adjustment limit; (b) an extraordinary price adjustment to account for the financial consequences of the occurrence of certain unforeseen events subject to grounds stipulated in the concession agreement; and (c) a rate rebasing mechanism which allows rates to be adjusted every five years to enable Maynilad to efficiently and prudently recover expenditures incurred, Philippine business taxes and payments corresponding to debt service on concession fees and Maynilad loans incurred to finance such expenditure.

In October 2013, Maynilad disagreed with the rate rebasing adjustments proposed by MWSS for the rate rebasing period from 2013 to 2017 and exercised its right under the concession agreement to file a notice of dispute with the Secretariat of the International Court of Arbitration in the Philippines for an arbitration. In December 2013, MWSS released a resolution regarding the implementation of a status quo for Maynilad's tariff rates until a final resolution of this issue is reached. On 29 December 2014, the Appeals Panel of the International Court of Arbitration in the Philippines upheld the alternative rebasing adjustment of Maynilad regarding its tariff dispute with MWSS. This would, if implemented immediately, result in a 9.8% increase in the 2013 average basic water charge of Pesos 31.28/cubic meter. However, MWSS refused to implement the final award notwithstanding Maynilad's repeated written demands for implementation.

Following the inaction of the Philippine Government represented by the Department of Finance (DOF) in response to Maynilad's request to compel MWSS to implement the final award, Maynilad, on 27 March 2015 served a notice of arbitration and statement of claim upon the Philippine Government and demanded the Philippine government's failure or refusal to pay it the demanded revenue losses that it had sustained as a direct result of MWSS's refusal to implement its correct rebasing adjustment to be referred to arbitration before a three-member panel appointed and conducting proceedings in Singapore. The arbitration panel was constituted in 2015. Evidentiary hearings were completed in December 2016. Maynilad and MWSS filed their respective memorials and counter-memorials on 31 January 2017 and 20 February 2017, respectively. The case will be submitted for the tribunal's resolution after cost submissions to be made by Maynilad and MWSS on 30 March 2017. As at the date of these financial statements, the result of this case is still pending and its outcome is expected in 2017.

(b) PHI

In August 2012, Maynilad acquired a 100% interest in PHI, which engages in the water distribution business in central and southern Luzon. PHI is granted the sole right to distribute water in these areas under certain concession agreements granted by the Philippine Government for 25 years to 2035.

(c) MIBWSC

On 4 July 2016, pursuant to a joint venture agreement between MetroPac Oloilo Holdings Corporation, a wholly-owned subsidiary of MWIC, and the Metro Iloilo Water District (MIWD) of the Philippines, created and established MIBWSC, to implement a 170 million liters per day (MLD) Bulk Water Supply Project (BWS Project). The BWS Project covers (i) the rehabilitation and upgrading of MIWD's existing 55 MLD water facilities, (ii) the expansion and construction of new water facilities to increase production to up to 115 MLD and (iii) delivery of contracted water demand to MIWD in accordance with the bulk water supply agreement. The BWS Project covers a 25-year period yet to be agreed and shall be extended for an additional 25 years counted from the date of completion of the agreed upon expansion obligation, but in no event shall exceed an aggregate of 50 years. MIWD retains ownership of the existing facilities subject to the right of MIBWSC to access and use. MIBWSC in turn retains ownership of the new facilities but is required to handback the BWS Project, including transfer of the full ownership of the new facilities, at the end of the concession period. On 5 July 2016, MIBWSC officially took over operations from the MIWD.

(B) Concession assets – Toll roads represent the concession comprising the rights, interests and privileges to finance, design, construct, operate and maintain toll roads, toll facilities and other facilities generating toll-related and non-toll related income held by (a) NLEX Corporation in respect of the North Luzon Expressway (also known as NLEX), Subic Clark Tarlac Expressway (SCTEX) and Connector Road, (b) CIC in respect of CAVITEX, (c) MPCALA in respect of CALAX and (d) CCLEC in respect of CCLEX during their concession periods.

Additions to the concession assets for toll roads include civil works construction costs, fixed operating equipment design, supply and installation costs for the toll road collection system migration, and upfront fee and concession fees paid and payable for new projects.

(a) NLEX Corporation's NLEX

In August 1995, First Philippine Infrastructure Development Corporation (FPIDC), the parent company of NLEX Corporation, entered into a joint venture agreement with Philippine National Construction Corporation (PNCC), in which PNCC assigned its rights, interests and privileges under its franchise to construct, operate and maintain toll facilities in the NLEX and its extensions, stretches, linkages and diversions in favour of NLEX Corporation, including the design, funding, construction, rehabilitation, refurbishing and modernization and selection and installation of an appropriate toll collection system therein during the concession period subject to prior approval by the President of the Philippines. In April 1998, the Philippine Government, acting through the Toll Regulatory Board as the grantor, PNCC as the franchisee and NLEX Corporation as the concessionaire, executed a Supplemental Toll Operation Agreement (STOA) whereby the Philippine Government recognized and accepted the assignment by PNCC of its usufructuary rights, interests and privileges under its franchise in favor of NLEX Corporation as approved by the President of the Philippines and granted NLEX Corporation concession rights, obligations and privileges including the authority to finance, design, construct, operate and maintain the NLEX project roads as toll roads commencing upon the date on which the STOA comes into effect until 31 December 2030 or 30 years after the issuance of the Toll Operation Permit for the last completed phase, whichever is earlier. In October 2008, the concession agreement was extended for another seven years to 2037. Pursuant to the STOA, NLEX Corporation is required to pay franchise fees to PNCC and to pay for the government's project overhead expenses based on certain percentages of construction costs and maintenance works on the project roads. Upon expiry of the concession period, NLEX Corporation shall handover the project roads to the Philippine Government without cost, free from any and all liens and encumbrances and fully operational and in good working condition, including any and all existing land required, works, toll road facilities and equipment found therein directly related to and in connection with the operation of the toll road facilities.

(b) NLEX Corporation's SCTEX

On 9 February 2015, NLEX Corporation received a notice of award from the Philippine Bases Conversion and Development Authority (BCDA) for the management, operation and maintenance of the 94-kilometer SCTEX subject to compliance with specific conditions. The notice of award was issued by the BCDA following the results of the price challenge held on 30 January 2015. On 26 February 2015, NLEX Corporation and the BCDA entered into a business agreement involving the assignment of the BCDA's rights and obligations relating to the management, operation and maintenance of SCTEX as provided in the SCTEX concession (Toll Operation Agreement or TOA). The assignment includes the exclusive right to use the SCTEX toll road facilities and the right to collect toll until 30 October 2043. On 22 May 2015, the Supplementary Toll Operation Agreement was executed by and among the Philippine Government and the BCDA and NLEX Corporation. At the end of the contract term, the SCTEX, as well as the as-built plans, specification and operation/repair/maintenance manuals relating to the same shall be turned over to the BCDA or its successor-in-interest. At a consideration of Pesos 3.5 billion (US$76.7 million) upfront cash payment, the operation and management of the SCTEX was officially turned over to NLEX Corporation on 27 October 2015. MNTC shall also pay the BCDA monthly concession fees amounting to 50% of the audited gross toll revenues of SCTEX for the relevant month from effective date of 27 October 2015 to 30 October 2043.

(c) NLEX Corporation's Connector Road

On 23 November 2016, NLEX Corporation and the Philippine Government acting through the Department of Public Works and Highways (DPWH) signed a concession agreement for the design, financing, construction, operation and maintenance of the Connector Road. The Connector Road is a four lane toll expressway structure with a length of eight kilometers all passing through and above the right of way of the Philippine National Railways starting NLEX Segment 10 in C3 Road Caloocan City and seamlessly connecting to SLEX through Metro Manila Skyway Stage 3 Project. The concession period shall commence on the commencement date of its construction, and shall end on its thirty-seventh anniversary, unless otherwise extended or terminated in accordance with the concession agreement. Connector Road Project, with an estimated project cost of Pesos 21.8 billion (US$438.5 million) is expected to commence construction in 2018 and to complete by 2021.

Under the concession agreement, NLEX Corporation will pay the DPWH periodic payments as consideration for the grant of the right of way for the project.

(d) CIC's CAVITEX
Pursuant to a toll operation agreement and an operations and maintenance agreement which CIC signed in November 1996 with the Philippine Reclamation Authority and the Toll Regulatory Board (TRB) of the Philippines, CIC was responsible for the design, financing, construction and supervision of the operation and maintenance of CAVITEX. The concession for CAVITEX extends to 2033 for the originally built road and to 2046 for a subsequent extension. Upon expiry of the concession period, CIC shall hand over the project roads to the Philippine Government.

(e) MPCALA's CALAX
On 10 July 2015, MPCALA signed a concession agreement for the CALAX Project with the Department Public Works and Highways (DPWH) of the Philippines. Under the concession agreement, MPCALA is granted the concession to design, finance, construct, operate and maintain the CALAX, including the right to collect toll fees, over a 35-year concession period. The CALAX is a closed-system tolled expressway connecting the CAVITEX and the SLEX. The CALAX Project was awarded to MPCALA following a competitive public bidding process where MPCALA was declared as the highest complying bidder with its offer to pay the Philippine Government concession fees amounting Pesos 27.3 billion (US$549.1 million). The CALAX was still at the pre-construction stage as of 31 December 2016.

(f) CCLEC's CCLEX
On 3 October 2016, CCLEC, the Cebu City and Municipality of Cordova (as the grantors) signed the concession agreement for the CCLEX. CCLEX, consists of the main alignment starting from the Cebu South Coastal Road and ending at the Mactan Circumferential Road, inclusive of interchange ramps aligning the Guadalupe River, the main span bridge, approaches, viaducts, causeways, low-height bridges, at-grade road, toll plazas and toll operations center.

Under the concession agreement, CCLEC is granted the concession to design, finance, construct, operate and maintain the CCLEX, including the right to collect toll fees over a 35-year concession period (including construction period). CCLEX is estimated to cost Pesos 27.9 billion (US$561.1 million) with the construction of the project to start in 2017 and it is estimated to be completed by 2020. No upfront payments or concession fees are to be paid but the grantors shall share 2% of the project's revenue.

NLEX Corporation and CIC derive substantially all of their revenues from toll collections from the users of the toll roads. The concession agreements establish toll rate formulas and adjustment procedures for setting the appropriate toll rates. Subject to the TRB of the Philippines validating the calculation of the toll rate adjustments in accordance with the formulas, toll rate adjustments are scheduled every two calendar years for the NLEX, every year for SCTEX and every three calendar years for the CAVITEX. As at the date of these financial statements, the Philippine Government has not yet implemented the toll rate adjustments for NLEX Corporation and CIC in respect of CAVITEX, NLEX and SCTEX, which should have been effective from 1 January 2012 and 1 January 2015 for CAVITEX's originally built road, 1 January 2014 and 1 January 2017 for CAVITEX's extension, 1 January 2013, and 1 January 2015 and 1 January 2017 for NLEX and 1 January 2015 and 1 January 2017 for SCTEX.

In April 2016, NLEX Corporation and CIC each issued a notice of arbitration and statement of claim to the Philippine Government, through the TRB, to obtain compensation for TRB's inaction on lawful toll rate adjustments which were overdue. Both NLEX Corporation and CIC are currently awaiting for the arbitration proceedings to proceed.

(C) Concession assets – Rail represents concession comprising of the exclusive right during the concession period to operate and maintain the current LRT1 system, collect farebox revenue and construct the LRT1 Extension.

The DOTC and LRTA formally awarded the project to LRMC on 15 September 2014. On 2 October 2014, LRMC signed together with the Department of Transportation and Communications (DOTC) and the Light Rail Transit Authority (LRTA) (the grantors) a concession agreement for the Light Rail Transit Line 1 Cavite Extension and Operations & Maintenance Project (LRT1 Project). Under the concession agreement, LRMC will operate and maintain the existing 20.7-kilometer LRT1 (Existing System) and construct an 11.7-kilometer extension from the present end-point at Baclaran to the Niog area in Bacoor, Cavite. A total of eight new stations will be built along the extension, which traverses the cities of Parañaque and Las Piñas up to Bacoor, Cavite. The concession agreement is for a period of 32 years commencing from the effective date of 12 September 2015 when LRMC took over of the LRT1 operations.

In accordance with the LRT1 Project concession agreement, LRMC is entitled to the reimbursement of the unavoidable increment costs that it will incur to restore the Existing System to the level necessary to meet all of the baseline Existing System Requirements (ESR) as certified by an independent consultant. LRMC is also entitled to receive compensation from the grantors if the grantors do not make available a minimum of 100 light rail vehicles (LRV) on the effective date of the turnover of the system. On the turnover date of the system on 12 September 2015, LRMC only received 72 LRVs.

On 30 October 2015, LRMC submitted a letter to the DOTC representing its claim for ESR costs and LRV shortfall on the premise of the grantor's obligation in relation to the condition of the Existing System prior or as of the effective date of the turnover of the system by the grantors to LRMC. In addition, LRMC requested the grantors compensation for the revenue loss arising from the grantors' implementation of fare increases below the concession agreement fares.

The above claims are still undergoing discussion as at the date of these financial statements.

(D) Brands – Dairy represent the brands, with useful life of 20 years, held by Indolakto for its various milk-related products, which include Indomilk, Cap Enaak, Tiga Sapi, Crima, Kremer and Indoeskrim.

(E) Brands and networks – Packaged drinking water represent the registered brand name, CLUB, and distribution and customer networks of Indofood's packaged drinking water business.

The brands and networks are determined to have indefinite useful lives as (i) the brands can be renewed indefinitely at no significant costs; (ii) Indofood has the intention to renew the brands and maintain the network indefinitely; and (iii) no significant expenses are expected to be incurred to maintain the future economic benefits that can be generated from these assets.

In assessing the impairment for brands and networks with indefinite useful life, the Group compares the carrying amounts of the intangible assets against their recoverable amounts (the higher of the assets' fair value less costs of disposal and their value in use). The recoverable amounts of brands and networks have been determined based on value in use calculations using cash flow projections as per the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period of 10 years (2015: 10 years). The discount rates applied to cash flow projections range from 13.4% to 14.0% (2015: 12.3% to 14.7%), which reflect the weighted average cost of capital. The cash flows beyond the projection periods are extrapolated using an estimated terminal growth rate of 3.8% (2015: 5.0%) which does not exceed the long-term average growth rate of the industry in Indonesia where the businesses operate.

During the year ended 31 December 2016, the Group has recognized an impairment loss of US$12.4 million in relation to the distribution and customer networks. The recoverable amount of the networks determined based on value in use calculation is estimated to be US$3.6 million. The impairment loss was driven by lower projected future cash flows in light of current market condition which may be inadequate to cover the said intangible assets.

(F) Customer list and licences – Wastewater and sewage treatment represent ESTII's customer relationship, contracts and licences for intellectual property rights over patents and utility models.

(G) Vesting contract – Power represents an agreement entered into between PLP and a Singapore government agency, which requires PLP to sell electricity at a specified volume and a specified price to the agency over a period of 10 years from November 2013 to November 2023.

(H) The useful lives for amortization:

Concession assets – Water distribution	– Maynilad	Remaining concession life of 31 years since acquisition in 2007
	– PHI	Remaining concession life of 23 years since acquisition in 2012
Concession assets – Toll roads	– NLEX	Remaining concession life of 29 years since acquisition in 2008
	– SCTEX	Concession life of 28 years since acquisition in 2015
	– Connector Road	Remaining concession life of 35 years subsequent to the completion of its construction expected in 2021
	– CAVITEX	Remaining concession life of 21 years (for the originally built road) and 33 years (for the extension) since acquisition in 2013
	– CALAX	Remaining concession life of 30 years subsequent to the completion of its construction expected in 2020
	– CCELX	Remaining concession life of 32 years subsequent to the completion of its construction expected in 2020
Concession assets – Rail		Remaining concession life of 30 years subsequent to the completion of the rehabilitation works of its existing LRT1 system expected in 2017
Brands – Dairy		20 years
Brands and networks – Water		Indefinite
Vesting contract		10 years
Software		3 to 5 years

(I) The carrying amount and the respective key assumptions used to determine the recoverable amount for the other intangible assets not yet available for use as at 31 December 2016 are summarized below.

	Toll roads				Rail
	CALAX	Segment 10 of NLEX	Connector Road	CCLEX	LRT1 extension
Carrying amount (US$ millions)	449.8	126.0	50.4	2.7	64.3
Net carrying amount (US$ millions)	106.6	111.5	3.5	1.9	31.5
Average growth rate	9.5%	12.4%	6.0%	8.4%	8.9%
Average forecast period	34 years	21 years	38 years	35 years	30 years
Discount rate	8.6%	8.6%	8.6%	8.6%	7.7%

The aggregate carrying amount of these intangible assets amounting to US$693.2 million at 31 December 2016 (2015: US$590.4 million), is included in the carrying amounts of concession assets of toll roads and rail. Most of these concession assets were recognized in 2016 and 2015. For purpose of impairment testing in 2016, the carrying amounts that were compared to their recoverable amounts are the net carrying amounts, which are net of the present value of the related future concession fees payments that formed part of the initial costs of these concession assets.

Average growth represents expected growth in traffic for CALAX, Segment 10 of NLEX, Connector Road and CCLEX and ridership for the LRT1 extension. The average forecast period is consistent with the period covered by the concession agreements.

17. Investment Properties

US$ millions	2016	2015
At 1 January	**9.7**	–
Acquisition of subsidiary companies (Note 35(E))	**–**	10.0
Exchange translation	**(0.3)**	(0.4)
Additions	**–**	0.1
Gain on changes in fair value of investment properties	**0.6**	–
Reclassification(i)	**(0.4)**	–
At 31 December	**9.6**	9.7

(i) Classification to property, plant and equipment

The Group's investment properties comprise lands held under operating leases to earn rental income and vacant land held for the purpose of capital appreciation.

The fair values of the investment properties are measured annually using the market approach based on gathered available market evidences, as determined by professionally qualified independent appraisers. The fair value measurement for land have been categorized as Level 2. There was no transfer between the fair value hierarchy during the year.

The lands are being leased for terms of seven years. Rental income from the said investment properties amounted to US$0.2 million (2015: US$0.1 million). Direct operating expenses amounted to US$40 thousand (2015: US$20 thousand), which mainly pertain to real property taxes.

18. Accounts Receivable, Other Receivables and Prepayments

US$ millions	2016	2015
Accounts receivable	**523.4**	454.2
Other receivables	**276.5**	274.8
Prepayments	**37.0**	38.3
Total	**836.9**	767.3
Presented as:		
Non-current Portion	**10.6**	8.8
Current Portion	**826.3**	758.5
Total	**836.9**	767.3

(A) The carrying amount of the current portion of accounts receivable, other receivables and prepayments approximates to their fair value. The fair value of the non-current portion of accounts receivable, other receivables and prepayments is US$10.6 million (2015: US$8.8 million) which is determined based on cash flows discounted using a weighted average prevailing interest rate of 6.0% (2015: 6.0%).

(B) An ageing profile based on the invoice dates of accounts receivable, net of provisions, is analyzed below:

US$ millions	2016	2015
0 to 30 days	**466.4**	389.7
31 to 60 days	**19.3**	17.2
61 to 90 days	**9.3**	15.0
Over 90 days	**28.4**	32.3
Total	**523.4**	454.2

US$ millions	2016	2015
Neither past due nor impaired	**465.4**	386.3
Past due but not impaired		
– 0 to 30 days past due	**20.0**	17.0
– 31 to 60 days past due	**9.5**	13.3
– 61 to 90 days past due	**25.0**	21.7
– Over 90 days past due	**3.5**	15.9
Total	**523.4**	454.2

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(C) At 31 December 2016, accounts receivable of US$19.1 million (2015: US$17.3 million) were collectively impaired and fully provided for. Movements in the provision for impairment of accounts receivable were as follows:

US$ millions	2016	2015
At 1 January	**17.3**	18.4
Exchange translation	**(0.5)**	(0.5)
Amount written off as uncollectible	**–**	(1.5)
Charge for the year (Note 6)	**2.3**	0.9
At 31 December	**19.1**	17.3

(D) As the Group's accounts receivable relate to a large number of diversified customers, there is no concentration of credit risk.

(E) Indofood generally allows customers 30 to 60 days of credit. MPIC generally allows 14 days of credit for its water service customers, 60 days of credit for its sewerage service customers, 45 to 60 days of credit for its bulk water supply customers and collects charges when services are rendered to its hospital customers, except for certain corporate customers which are allowed an average of 30 days of credit. PLP generally allows customers 30 days of credit.

(F) Accounts receivable with a net carrying amount of US$88.6 million (2015: US$59.9 million) were pledged as security for certain of the Group's banking facilities (Note 27(D)).

19. Available-for-sale Assets

US$ millions	2016	2015
Listed investments, at fair value:		
– Equity investments – Overseas	**102.6**	121.2
– Debentures with a fixed interest rate of 2.1% to 5.8% (2015: 1.6% to 6.0%) and a maturity date of between 25 April 2017 and 15 August 2023 (2015: between 3 March 2016 and 15 August 2023) – Overseas	**27.3**	36.2
Unlisted investments, at fair value:		
– Exchangeable bonds	**163.1**	–
– Investment funds – Overseas	**39.7**	–
– Equity investments – Overseas	**4.5**	–
– Club debentures – Hong Kong	**2.3**	2.0
Unlisted investments, at cost less impairment provisions:		
– Equity investments – Overseas	**12.3**	9.5
Total	**351.8**	168.9
Presented as:		
Non-Current Portion	**311.9**	44.1
Current Portion	**39.9**	124.8
Total	**351.8**	168.9

The fair values of the listed equity investments and debentures are based on quoted market prices. The fair values of the unlisted investments in exchangeable bonds are based on the fair values of the underlying shares exchangeable upon conversion. The fair values of unlisted investment funds are based on estimated fair value of its underlying assets supplied by independent sources. The fair values of the unlisted investments in equity investments and club debentures have been estimated by a discounted cash flow model and by reference to recent market transaction prices, respectively. The Directors believe that the estimated fair values by reference to the above bases, which are recorded in the carrying amounts of the available-for-sale assets, and the related changes in fair values, which are recorded directly in the Group's other comprehensive income, are reasonable, and that they are the most appropriate values at the end of the reporting period.

The unlisted equity investments as shown in the above table were stated at cost less impairment as there are no reliable sources and bases for subsequent fair value determination. The Group does not intend to dispose of the unlisted equity investments in the near future.

20. Deferred Tax

The movements in deferred tax assets and deferred tax liabilities during the year are as follows.

US$ millions	Tax loss carry forward	Allowance for doubtful accounts	Liabilities for employee retirement benefits	Others	Total
Deferred Tax Assets					
At 1 January 2015					
As previously reported	77.9	9.6	81.5	31.2	200.2
Prior year adjustments (Note 2(B))	–	–	–	(1.0)	(1.0)
As restated	77.9	9.6	81.5	30.2	199.2
Exchange translation	(8.0)	(0.5)	(7.7)	(2.0)	(18.2)
Acquisition of subsidiary companies (Note 35(E))	0.5	0.5	0.5	1.8	3.3
Credited/(charged) to the consolidated income statement (Note 7)	8.0	(5.6)	7.5	2.5	12.4
Credited to the other comprehensive loss	–	–	–	1.9	1.9
At 31 December 2015	78.4	4.0	81.8	34.4	198.6
At 1 January 2016					
As previously reported	78.4	4.0	81.8	35.3	**199.5**
Prior year adjustments (Note 2(B))	–	–	–	(0.9)	**(0.9)**
As restated	78.4	4.0	81.8	34.4	**198.6**
Exchange translation	2.4	0.1	2.0	0.3	**4.8**
(Charged)/credited to the consolidated income statement (Note 7)	(1.8)	0.1	(6.4)	(1.3)	**(9.4)**
Charged to the other comprehensive loss	–	–	–	(15.2)	**(15.2)**
At 31 December 2016	**79.0**	**4.2**	**77.4**	**18.2**	**178.8**

US$ millions	Allowance in excess of related depreciation of property, plant and equipment	Changes in fair value of plantations	Changes in fair value of biological assets	Brands	Withholding taxes on undistributed earnings of subsidiary and associated companies	Others	Total
Deferred Tax Liabilities							
At 1 January 2015							
As previously reported	(156.1)	(84.3)	–	(57.1)	(31.8)	(38.6)	(367.9)
Prior year adjustments (Note 2(B))	22.0	84.3	(3.4)	–	–	–	102.9
As restated	(134.1)	–	(3.4)	(57.1)	(31.8)	(38.6)	(265.0)
Exchange translation	2.8	–	0.3	0.6	0.6	2.0	6.3
Acquisition of subsidiary companies (Note 35(E))	(25.5)	–	–	–	1.8	(12.4)	(36.1)
Credited/(charged) to the consolidated income statement (Note 7)	5.0	–	(0.7)	2.0	(2.3)	(13.0)	(9.0)
At 31 December 2015	(151.8)	–	(3.8)	(54.5)	(31.7)	(62.0)	(303.8)
At 1 January 2016							
As previously reported	(174.0)	(80.7)	–	(54.5)	(31.7)	(62.0)	**(402.9)**
Prior year adjustments (Note 2(B))	22.2	80.7	(3.8)	–	–	–	**99.1**
As restated	(151.8)	–	(3.8)	(54.5)	(31.7)	(62.0)	**(303.8)**
Exchange translation	(2.3)	–	(0.1)	(1.4)	0.3	6.0	**2.5**
Credited/(charged) to the consolidated income statement (Note 7)	40.3	–	(8.4)	2.0	(10.1)	(11.3)	**12.5**
Other movements	–	–	–	–	–	31.2	**31.2**
At 31 December 2016	**(113.8)**	**–**	**(12.3)**	**(53.9)**	**(41.5)**	**(36.1)**	**(257.6)**

Pursuant to the income tax laws of the Philippines and Indonesia, withholding taxes of 10% to 15% are levied on dividends declared to foreign investors. Dividends paid by Australian resident companies are franked with an imputation credit to the extent that Australian corporate income tax has been paid by the company on the income being distributed. Such franked dividends are not subject to any further withholding tax for foreign shareholders. Further, Australian unfranked dividends paid from foreign sourced profits can be declared as conduit foreign income which is not subject to any further withholding tax for foreign shareholders. Dividends paid by New Zealand resident companies are franked with an imputation credit to the extent that New Zealand corporate income tax has been paid by the company on the income being distributed. New Zealand dividends paid to non-residents are generally subject to withholding tax. However, fully imputed dividends, or as allowed under tax treaties, are exempt from withholding tax where the foreign shareholder owns more than ten percent of the company. Singapore has a one-tier corporate tax system whereby tax charged at the corporate level is the final tax. Dividends paid by Singapore resident companies under the one-tier corporate tax system are exempted from further Singapore tax in the hands of shareholders.

The Group had fully recognized the deferred tax liabilities for the withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of its associated companies established in the Philippines. However, except for those earnings to be distributed as dividends, no deferred tax liabilities had been recognized for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiary companies established in the Philippines, Indonesia and Singapore. In the opinion of the Directors, it is not probable that these subsidiary companies will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiary companies in the Philippines and Indonesia for which deferred tax liabilities have not been recognized totaled approximately US$63.6 million at 31 December 2016 (2015: US$65.7 million).

The Group has tax losses arising from Singapore of US$226.1 million (2015: US$223.5 million), the Philippines of US$151.9 million (2015: US$164.5 million) and Indonesia of US$69.4 million (2015: US$80.1 million) that may be carried forward indefinitely for Singapore, three years for the Philippines and for five years for Indonesia, respectively, for offsetting against future taxable profits of the companies in which the losses arose.

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

21. Pledged Deposits and Restricted Cash

At 31 December 2016, the Group had US$10.6 million (2015: US$11.1 million) of pledged bank deposits as security for certain bonds issued by the Group (Note 27(D)) and US$50.0 million (2015: US$51.7 million) of cash which was set aside to cover principal and interest payments of certain borrowings in compliance with loan agreements and US$17.9 million (2015: US$18.9 million) of cash held in an escrow account in relation to a construction contract which is restricted as to use.

22. Other Non-current Assets

US$ millions	**2016**	2015
Plasma receivables	**79.2**	57.0
Prepayments	**73.0**	68.7
Claims for tax refund	**20.2**	19.0
Deferred project costs	**19.5**	18.6
Long-term deposits	**19.2**	26.1
Deposits for acquisition of assets	**6.2**	11.5
Others	**129.4**	111.2
Total	**346.7**	312.1

(A) The plasma receivables represent advances made by Indofood to certain farmers in relation to arrangements for those farmers' production of FFB. The carrying amount of the plasma receivables approximates to their fair value as the interest rates on these receivables approximate to the prevailing market rates.

(B) The prepayments mainly represent Indofood's prepaid rentals for port facilities.

(C) The claims for tax refund relate to the tax payment in advance made by Indofood in respect of importation of raw materials which is creditable against Indofood's corporate income tax payable.

(D) The deferred project costs comprise costs directly attributable to the acquisition of service concessions prior to the commencement of concession terms.

(E) The long-term deposits mainly represent MPIC's deposits for repair and maintenance of its toll roads.

(F) The deposits for acquisition of assets mainly represent Indofood's deposits for the acquisition of certain land rights.

23. Cash and Cash Equivalents and Short-term Deposits

US$ millions	**2016**	2015
Cash at banks and on hand	**571.1**	496.2
Short-term time deposits	**1,120.8**	1,116.1
Total	**1,691.9**	1,612.3

(A) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

(B) Cash and cash equivalents of US$70.4 million (2015: US$56.8 million) were charged to banks in accordance with the terms of certain of the Group's banking facilities (Note 27(D)).

24. Inventories

US$ millions	2016	2015
Raw materials	**385.8**	360.6
Finished goods	**319.2**	260.0
Work in progress	**10.2**	10.4
Total	**715.2**	631.0

(A) At 31 December 2016, inventories with a carrying amount of US$115.3 million (2015: US$101.3 million) were carried at net realizable value.

(B) At 31 December 2016, inventories with a carrying amount of US$11.4 million (2015: US$21.9 million) were pledged as security for certain of the Group's banking facilities (Note 27(D)).

25. Assets Classified as Held for Sale

US$ millions	2016	2015
Assets of a disposal group classified as held for sale (Note 8(D))	**–**	1,031.2
Assets held for sale	**–**	31.4
Total	**–**	1,062.6

(A) Assets of a disposal group classified as held for sale at 31 December 2015 represent the carrying amounts of CMZ's total assets. Details in respect of the assets are set out in Note 8 to the Consolidated Financial Statements.

(B) On 22 December 2014, MPIC entered into an agreement with Landco and its controlling shareholder, AB Holdings Corporation (ABHC), to restructure their interests in Landco in preparation for an eventual sale to third parties. As part of the restructuring activities, the following activities were completed in 2014: (i) the preferred shares issued by Landco were converted to common shares (thereby increasing MPIC's investments in Landco's common shares to a 38.1% interest and (ii) ABHC's payable to Landco were assumed by MPIC. Under the agreement, MPIC shall be entitled to 66% of the purchase price of Landco's outstanding common stock in the event of sale of Landco's outstanding capital stock to a third party. As a result of the planned sale of the interests in Landco, the carrying amounts of the Group's receivables from Landco and ABHC and the investments in Landco's common shares were reclassified to assets held for sale as at 31 December 2014. The carrying amount of all the Group's interests in Landco, at that time, was expected to be recovered principally through a sale transaction and the sale was highly probable.

However, the expected disposal did not happen in 2015 nor in 2016 and as such, the said receivables and Landco common shares no longer meet the "held for sale" criteria as at 31 December 2016. The Group's investment in Landco's common shares of Pesos 774 million (US$16.2 million) ceased to be classified as "held for sale" and starting 31 December 2016, has been classified as investment in an joint venture (in view of the requirement of affirmative votes from both MPIC and ABHC required for the important operating policies of Landco pursuant to Landco's shareholders' agreement) accounted for by the equity method, with its carrying amount at 31 December 2016 fully provided for an allowance in decline in value. The decline in the value of the Group's interest in Landco was due to changes in cash flow forecast attributable to Landco's legacy projects. The receivables from Landco of Pesos 508 million (US$10.2 million) and from ABHC of Pesos 360 million (US$7.2 million) were also reclassified as amounts due from joint ventures included in associated companies and joint ventures and other non-current assets, respectively, in the Group's consolidated statement of financial position at 31 December 2016.

26. Accounts Payable, Other Payables and Accruals

US$ millions	2016	2015
Accounts payable	**370.0**	391.3
Accrued expenses	**327.1**	309.5
Other payables	**367.4**	540.2
Total	**1,064.5**	1.241.0

The ageing profile based on the invoice dates of accounts payable is analyzed as follows:

US$ millions	2016	2015
0 to 30 days	**330.5**	303.5
31 to 60 days	**10.0**	22.4
61 to 90 days	**8.1**	6.2
Over 90 days	**21.4**	59.2
Total	**370.0**	391.3

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

27. Borrowings

US$ millions	Effective interest rate (%)	Maturity	Notes	2016	2015
Short-term					
Bank loans	0.8 – 10.8 (2015: 0.9 – 10.8)	2017 (2015: 2016)		**844.2**	995.5
Other loans	7.3 – 18.0 (2015: 8.9 – 18.0)	2017 (2015: 2016)	(A)	**436.5**	3.1
Subtotal				**1,280.7**	998.6
Long-term					
Bank loans	1.6 – 10.8 (2015: 1.6 – 10.8)	2018 – 2040 (2015: 2017 – 2040)	(B)	**3,383.9**	3,451.9
Other loans	4.7 – 18.0 (2015: 4.7 – 18.0)	2018 – 2024 (2015: 2017 – 2024)	(C)	**1,443.8**	1,911.4
Subtotal				**4,827.7**	5,363.3
Total				**6,108.4**	6,361.9

The balance of short-term borrowings includes US$643.4 million (2015: US$322.1 million) of the current portion of long-term borrowings. The maturity profile of the Group's borrowings is as follows:

	Bank loans		Other loans		**Total**	
US$ millions	**2016**	2015	**2016**	2015	**2016**	2015
Not exceeding one year	**844.2**	995.5	**436.5**	3.1	**1,280.7**	998.6
More than one year but not exceeding two years	**953.6**	274.9	**0.2**	299.2	**953.8**	574.1
More than two years but not exceeding five years	**1,101.0**	1,429.9	**939.6**	1,083.8	**2,040.6**	2,513.7
More than five years	**1,329.3**	1,747.1	**504.0**	528.4	**1,833.3**	2,275.5
Total	**4,228.1**	4,447.4	**1,880.3**	1,914.5	**6,108.4**	6,361.9

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

US$ millions	2016	2015
U.S. dollar	**2,417.9**	2,332.6
Peso	**2,035.3**	1,955.6
Rupiah	**1,049.1**	1,182.8
Singapore dollar	**521.7**	789.9
Others	**84.4**	101.0
Total	**6,108.4**	6,361.9

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

US$ millions	2016	2015
Fixed interest rate	**4,193.9**	4,119.6
Variable interest rate	**1,914.5**	2,242.3
Total	**6,108.4**	6,361.9

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

	Carrying amounts		Fair values	
US$ millions	2016	2015	2016	2015
Bank loans	**3,383.9**	3,599.7	**3,411.3**	3,615.8
Other loans	**1,443.8**	1,763.6	**1,496.3**	1,861.1
Total	**4,827.7**	5,363.3	**4,907.6**	5,476.9

The fair values are based on published price quotations for listed bonds issued by the Group and projected cash flows discounted using the borrowing rates ranging from 1.6% to 18.0% (2015: 1.6% to 18.0%) for the other fixed interest rate borrowings. The carrying amounts of the Group's variable interest rate borrowings approximate to their fair values due to frequent repricing.

The carrying amounts of the short-term borrowings approximate to their fair values. Details of the borrowings are set out below:

(A) Short-term Other Loans

(a) US$286.9 million (with a face value of US$287.5 million) (2015: US$298.4 million (with a face value of US$300 million)) of guaranteed secured bonds issued by FPMH Finance Limited, in July 2010, with a coupon rate of 7.375% per annum, are payable semi-annually, and mature in July 2017. The bonds are guaranteed by the Company and are secured by (i) a 35.6% (2015: 40.2%) interest in MPIC common shares and (ii) an amount of cash of US$10.6 million (2015: US$11.1 million) to be used for the payment of the last installment interest of the bonds.

During the year, the Company repurchased US$12.5 million (2015: Nil) of these bonds at an aggregate consideration of US$13.3 million (2015: Nil).

(b) Rupiah 2.0 trillion (US$148.8 million) of unsecured Rupiah bonds (2015: US$144.8 million) issued by Indofood in May 2012, with a coupon rate of 7.25% per annum, are payable quarterly, and mature in May 2017.

(B) Long-term Bank Loans

The balance includes US$317.4 million (with a face value of US$320.0 million) of an unsecured bank loan drawn in December 2015 (2015: US$316.1 million) for refinancing purpose by a wholly-owned subsidiary company of the Company, guaranteed by the Company, subject to a variable LIBOR-based interest rate, which is repayable in November 2018.

(C) Long-term Other Loans

The balance includes bonds issued by wholly-owned subsidiary companies of the Company, Indofood and MPIC. Details are summarized as follows:

(a) US$393.2 million (with a face value of US$395.4 million) (2015: US$397.2 million (with a face value of US$400 million)) of guaranteed secured bonds issued by FPT Finance Limited, in September 2010, with a coupon rate of 6.375% per annum, are payable semi-annually, and mature in September 2020. The bonds are guaranteed by the Company and secured by a 12.0% (2015: 6.9%) interest in PLDT.

During the year, the Company repurchased US$4.6 million (2015: Nil) of these bonds at an aggregate consideration of US$5.1 million. These bonds were subsequently cancelled.

(b) US$397.9 million (with a face value of US$400 million) (2015: US$397.1 million) of unsecured bonds issued by FPC Finance Limited, in June 2012, with a coupon rate of 6.0% per annum, are payable semi-annually, and mature in June 2019. The bonds are guaranteed by the Company.

(c) US$364.1 million (with a face value of US$367.3 million) (2015: US$380.6 million (with a face value of US$384.3 million)) of unsecured bonds issued by FPC Treasury Limited, in April 2013, with a coupon rate of 4.5% per annum, are payable semi-annually, and mature in April 2023. The bonds are guaranteed by the Company.

During the year, the Company repurchased US$17.0 million (2015: US$15.7 million) of these bonds at an aggregate consideration of US$17.6 million (2015: US$15.8 million). These bonds were subsequently cancelled.

(d) Rupiah 2.0 trillion (US$148.4 million) of unsecured Rupiah bonds (2015: US$144.4 million) issued by Indofood in June 2014, with a coupon rate of 10.125% per annum, are payable quarterly, and mature in June 2019.

(e) Pesos 4.4 billion (US$88.0 million) of unsecured Peso bonds (2015: US$92.9 million) issued by NLEX Corporation in June 2014, with a coupon rate of 5.07% per annum, are payable quarterly, and mature in June 2021.

(f) Pesos 2.6 billion (US$51.9 million) of unsecured Peso bonds (2015: US$54.9 million) issued by NLEX Corporation in June 2014, with a coupon rate of 5.50% per annum, are payable quarterly, and mature in June 2024.

(D) Charges on Group Assets

At 31 December 2016, certain bank and other borrowings were secured by the Group's property, plant and equipment, accounts receivable, pledged deposits, cash and cash equivalents and inventories amounting to a net book value of US$1,336.2 million (2015: US$1,280.2 million), receipts from future toll collections and funds in the related accounts of CIC and the Group's interests of 12.0% (2015: 6.9%) in PLDT, 35.6% (2015: 40.2%) in MPIC, 100% (2015: 100%) in CIC, 100% (2015: 100%) in AIF Toll Road Holdings (Thailand) Limited, 25.9% (2015: 25.9%) in DMT, 70.0% (2015: 70.0%) in PLP, 93.7% (2015: 93.7%) in SCBI and none (2015: 45.1%) in Hawaiian-Philippine Company, Inc.

28. Provision for Taxation

US$ millions	**2016**	2015
At 1 January	**44.7**	51.0
Exchange translation	**0.1**	(4.3)
Provision for taxation on estimated assessable profits for the year	**289.4**	190.7
Acquisition of a business and subsidiary companies (Note 35(E))	**–**	4.2
Taxes paid	**(253.8)**	(196.9)
At 31 December	**80.4**	44.7

An analysis of the taxes paid for the years ended 31 December 2016 and 2015 by geographical market is set out below.

US$ millions	**2016**	2015
Indonesia	**155.7**	147.8
The Philippines	**86.9**	33.4
Others	**11.2**	15.7
Total	**253.8**	196.9

29. Deferred Liabilities, Provisions and Payables

US$ millions	Long-term liabilities	Pension	Loans from non-controlling shareholders	Others	**2016**	2015
At 1 January	563.3	363.7	249.0	301.0	**1,477.0**	1,171.9
Exchange translation	(39.7)	8.1	(0.9)	(9.0)	**(41.5)**	(84.3)
Additions	269.4	45.0	29.3	42.9	**386.6**	539.7
Payment and utilization	(25.4)	(13.6)	–	(113.1)	**(152.1)**	(155.7)
Acquisition of subsidiary companies (Note 35(E))	–	0.1	–	0.1	**0.2**	5.4
At 31 December	767.6	403.3	277.4	221.9	**1,670.2**	1,477.0
Presented as:						
Non-current Portion	717.3	403.3	163.9	89.5	**1,374.0**	1,128.9
Current Portion	50.3	–	113.5	132.4	**296.2**	348.1
Total	767.6	403.3	277.4	221.9	**1,670.2**	1,477.0

The long-term liabilities mainly relate to (a) Maynilad's concession fees payable to MWSS, including a provision for certain additional concession fees payable and related interest amounts in dispute between Maynilad and MWSS, recognized by the Group upon its acquisition of Maynilad, (b) MPCALA's concession fees payable to the Philippine Government in respect of CALAX, (c) LRMC's concession fees payable to the Philippine Government in respect of LRT1, (d) NLEX Corporation's concession fees payable to the Philippine Government in respect of Connector Road and (e) MPIC's outstanding payable for its acquisition of an additional 25% interest in Beacon Electric from PCEV. In respect of the disputed amounts between Maynilad and MWSS, no final resolution has been reached at 31 December 2016.

The pension relates to accrued liabilities in relation to defined benefit retirement schemes and long service payments.

The loans from non-controlling shareholders represent unsecured loans provided by non-controlling shareholders of FPM Power, PLP and IndoAgri, a subsidiary company of Indofood.

The others mainly represent (a) Maynilad's real property tax payables on certain common purpose facilities; (b) contractual obligations of NLEX Corporation and CIC to restore their service concession assets to a specified level of serviceability during their service concession periods and to maintain these assets in good condition prior to the handover of these assets to the Philippine Government at the end of their concession periods; (c) provision for certain business tax payables; (d) provisions for various claims and potential claims against the Group; (e) derivative liabilities arising from forward contracts, interest rate swaps, fuel swaps and electricity futures; (f) provision for heavy maintenance and (g) the Group's payables on LTIP.

30. Share Capital

US$ millions	2016	2015
Authorized		
6,000,000,000 (2015: 6,000,000,000) ordinary shares of U.S. 1 cent each	**60.0**	60.0
Issued and fully paid		
At 1 January	**42.7**	42.9
Issue of shares upon the exercise of share options and under share award scheme	**0.1**	–
Repurchase and cancellation of shares	**–**	(0.2)
At 31 December		
4,281,679,008 (2015: 4,268,465,603) ordinary shares of U.S. 1 cent each	**42.8**	42.7

(A) During the year, 8,928,916 (2015: 250,000) share options were exercised at the exercise price between HK$4.9457 per share and HK$5.1932 per share (2015: HK$5.1932 per share), resulting in the issue of 8,928,916 (2015: 250,000) new ordinary shares of U.S. 1 cent each for a total cash consideration of HK$44.2 million (US$5.6 million) (2015: HK$1.3 million or US$0.2 million). Details of the Company's share option scheme are set out in Note 38(D)(a) to the Consolidated Financial Statements.

(B) During the year, the Company has not repurchased any of its ordinary shares on SEHK (2015: repurchased 18,778,000 ordinary shares at an aggregate consideration of HK$139.1 million (US$18.0 million) on SEHK, which have been subsequently cancelled).

31. Shares Held for Share Award Scheme

	Number of allocated shares held for		Number of unallocated shares held for	Shares held for Share Award Scheme
	Purchase Awards	Subscription Awards	Subscription Awards	US$m
Balance at 1 January 2015	6,224,707	1,550,352	–	(8.7)
Vested and transferred	(2,164,041)	(244,781)	–	2.7
Forfeited	–	(132,000)	132,000	–
Balance at 31 December 2015	4,060,666	1,173,571	132,000	**(6.0)**
Granted and issued	–	4,416,489	(132,000)	**(2.8)**
Granted and purchased	6,764,000	–	–	**(4.7)**
Vested and transferred	(1,801,176)	(500,781)	–	**2.6**
Balance at 31 December 2016	**9,023,490**	**5,089,279**	**–**	**(10.9)**

For the Purchase Awards, during 2016, the independent trustee managing the Company's share award scheme purchased 6,764,000 shares (2015: Nil) of the Company at an aggregate consideration of HK$37.1 million (US$4.7 million) (2015: Nil) from the open market at the cost of the Company. In addition, 190,867 shares were forfeited and subsequently reclassified into allocated shares during the year.

For the Subscription Awards, during 2016, the independent trustee managing the Company's share award scheme subscribed 4,284,489 new shares (2015: Nil) issued by the Company at an aggregate consideration of HK$21.3 million (US$2.8 million) (2015: Nil). In addition, the forfeited and unallocated shares of 132,000 shares at 31 December 2015 were re-granted during the year.

Particulars of the share awards of the Company granted to the Directors and senior executives of the Company at 31 December 2016 are set out below.

(a) Particulars of the Company's Purchase Awards

	Shares granted and unvested at 1 January 2016	Shares granted during the year	Shares vested and transferred during the year	Reclassification[(i)]	Shares forfeited during the year	**Shares granted and unvested at 31 December 2016**	Grant date	Vesting period[(iii)]
Executive Directors								
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	1,363,332	–	(681,664)	–	–	**681,668**	12 July 2013	September 2013 to September 2017
	–	4,465,380	–	–	–	**4,465,380**	15 April 2016	April 2017 to April 2019
Robert C. Nicholson	886,165	–	(443,082)	–	–	**443,083**	12 July 2013	September 2013 to September 2017
	–	2,639,820	–	–	–	**2,639,820**	15 April 2016	April 2017 to April 2019
Non-executive Directors								
Napoleon L. Nazareno[(i)]	190,867	–	–	(190,867)	–	**–**	–	–
Benny S. Santoso	–	446,535	–	–	–	**446,535**	15 April 2016	April 2017 to April 2019
Ambassador Albert F. del Rosario[(ii)]	–	893,070	–	–	–	**893,070**	30 June 2016	June 2017 to June 2019
Independent Non-executive Directors								
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	190,867	–	(95,433)	–	–	**95,434**	12 July 2013	September 2013 to September 2017
	–	893,070	–	–	–	**893,070**	15 April 2016	April 2017 to April 2019
Margaret Leung Ko May Yee, *SBS, JP*	143,150	–	(47,716)	–	–	**95,434**	12 July 2013	March 2015 to March 2018
	–	893,070	–	–	–	**893,070**	15 April 2016	April 2017 to April 2019
Philip Fan Yan Hok	143,150	–	(47,716)	–	–	**95,434**	12 July 2013	March 2015 to March 2018
	–	893,070	–	–	–	**893,070**	15 April 2016	April 2017 to April 2019
Madeleine Lee Suh Shin	–	893,070	–	–	–	**893,070**	15 April 2016	April 2018 to April 2019
Senior Executives	627,135	–	(313,565)	190,867	(190,867)	**313,570**	12 July 2013	September 2013 to September 2017
	516,000	–	(172,000)	–	–	**344,000**	12 July 2013	July 2015 to July 2018
	–	8,449,260	–	–	–	**8,449,260**	15 April 2016	April 2017 to April 2019
Total	4,060,666	20,466,345	(1,801,176)	–	(190,867)	**22,534,968**		

(i) Mr. Napoleon L. Nazareno resigned from the Board of Directors with effect from 30 June 2016 and his outstanding share awards were reclassified under "Senior Executives" and was subsequently forfeited.
(ii) Ambassador Albert F. del Rosario was re-appointed to the Board of Directors with effect from 30 June 2016.
(iii) The vesting period of the awarded shares is as follows:
  (a) For the 2013 grant, the shares would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in the second year and 20% each for the third to the fifth year after grant).
  (b) For the 2016 grants, the shares would be vested in three equal tranches from the first to the third year after the shares are granted, except for new recruits (60% in the second year and 40% in the third year after grant).

	Shares granted and unvested at 1 January 2015	Shares vested and transferred during the year	Shares granted and unvested at 31 December 2015	Grant date	Vesting period[i]
Executive Directors					
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	2,044,996	(681,664)	1,363,332	12 July 2013	September 2013 to September 2017
Robert C. Nicholson	1,329,247	(443,082)	886,165	12 July 2013	September 2013 to September 2017
Non-executive Director					
Napoleon L. Nazareno	286,300	(95,433)	190,867	12 July 2013	September 2013 to September 2017
Independent Non-executive Directors					
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	286,300	(95,433)	190,867	12 July 2013	September 2013 to September 2017
Margaret Leung Ko May Yee, *SBS, JP*	238,582	(95,432)	143,150	12 July 2013	March 2015 to March 2018
Philip Fan Yan Hok	238,582	(95,432)	143,150	12 July 2013	March 2015 to March 2018
Senior Executives	940,700	(313,565)	627,135	12 July 2013	September 2013 to September 2017
	860,000	(344,000)	516,000	12 July 2013	July 2015 to July 2018
Total	6,224,707	(2,164,041)	4,060,666		

(i) For the 2013 grant, the shares would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in the second year and 20% each for the third to the fifth year after grant).

(b) Particulars of the Company's Subscription Awards

	Shares granted and unvested at 1 January 2016	Shares granted during the year	Shares vested and transferred during the year	**Shares granted and unvested at 31 December 2016**	Grant date	Vesting period[ii]
Senior Executives	313,571	–	(156,781)	**156,790**	29 August 2013	September 2013 to September 2017
	860,000	–	(344,000)	**516,000**	15 July 2014	February 2016 to February 2019
	–	4,416,489[i]	–	**4,416,489**	15 April 2016	April 2017 to April 2019
Total	1,173,571	4,416,489	(500,781)	**5,089,279**		

(i) Includes 132,000 shares awarded by re-granting the forfeited and unallocated shares

(ii) The vesting period of the awarded shares is as follows:
- (a) For the 2013 grant, the shares would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017.
- (b) For the 2014 grant, the shares would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).
- (c) For the 2016 grant, the shares would be vested in three equal tranches from the first to the third year after the shares are granted.

	Shares granted and unvested at 1 January 2015	Shares vested and transferred during the year	Shares forfeited during the year	Shares granted and unvested at 31 December 2015	Grant date	Vesting period(i)
Senior Executives	470,352	(156,781)	–	313,571	29 August 2013	September 2013 to September 2017
	220,000	(88,000)	(132,000)	–	–	–
	860,000	–	–	860,000	15 July 2014	February 2016 to February 2019
Total	1,550,352	(244,781)	(132,000)	1,173,571		

(i) The vesting period of the awarded shares is as follows:
(a) For the 2013 grant, the shares would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017.
(b) For the 2014 grant, the shares would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).

On 19 March 2013, the Board resolved to adopt a share award scheme (the Share Award Scheme), which has a validity period of 15 years. Employees and Directors of the Group are eligible to participate. Under the Share Award Scheme, the Board can select grantees of awards and determine the number of the Company's shares (Shares) to be awarded. An independent trustee (the Trustee) has been appointed to administer the Share Award Scheme. The trustee will, depending on the form of the award made, either subscribe for new Shares to be issued by the Company at the relevant benchmarked price as stipulated in the Listing Rules or purchase existing Shares on the SEHK, in each case, at the cost of the Company. Those Shares purchased and held by the Trustee were not cancelled. The Trustee will hold the Shares on trust for the grantees of awards, until the Shares become vested. The awards vest progressively over the vesting period, provided that the relevant grantee remains employed by the Group. Vested Shares will be transferred to the grantees at no cost. Directors of the Group are not eligible to be granted awards of new Shares to be subscribed by the Trustee and issued by the Company, but are eligible to be granted awards of existing shares to be purchased by the Trustee. The Share Award Scheme also limits the aggregate number of shares that may be awarded to no more than three percent of the outstanding shares of the Company.

On 12 July 2013, 9,483,061 share awards under the Company's Share Award Scheme were granted as Purchase Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$8.18 per share or an aggregate value of US$9.9 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$8.70 per share
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.5% per annum

On 29 August 2013, 1,003,914 share awards under the Company's Share Award Scheme were granted as Subscription Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$7.63 per share or an aggregate value of US$1.0 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$8.11 per share
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.5% per annum

On 15 July 2014, 860,000 share awards under the Company's Share Award Scheme were granted as Subscription Awards. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$8.55 per share or an aggregate value of US$0.9 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$9.23 per share
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.7% per annum

On 15 April 2016, 19,573,275 share awards were granted as Purchase Awards and 4,416,489 share awards were granted as Subscription Awards under the Company's Share Award Scheme. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$4.71 per share or an aggregate value of US$14.5 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$4.95 per share
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.6% per annum

On 30 June 2016, 893,070 share awards were granted as Purchase Awards under the Company's Share Award Scheme. The average fair value of shares granted as calculated by Towers Watson Hong Kong Limited, by adjusting the closing share price at the grant date by the present value of expected dividend payments during the vesting period, was HK$5.35 per share or an aggregate value of US$0.6 million for all shares granted. The assumptions used were as follows:

Share price at the date of grant	HK$5.62 per share
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.4% per annum

32. Other Components of Equity

The Group's other components of equity comprise share premium, employee share-based compensation reserve, exchange reserve, unrealized gains/losses on available-for-sale assets, unrealized gains/losses on cash flow hedges, income tax related to cash flow hedges, actuarial gains/losses on defined benefit pension plans, share of other comprehensive income/loss of associated companies and joint ventures, differences arising from changes in equities of subsidiary companies, reserves for assets classified as held for sale, capital and other reserves and contributed surplus.

The share premium relates to the amount of fund received by the Company in excess of the par value of its shares issued. It may be used for repurchase of the Company's shares, distribution in the form of fully paid bonus shares and write-off of expenses related to issue of shares by the Company.

The employee share-based compensation reserve arises from the amortization of costs of share options and awarded shares granted under the share option schemes and the share award scheme adopted by the Company and the Group's entities (which include the Group's subsidiary and associated companies) over the vesting period. Upon the exercise of share options, the related amount accumulated in the employee share-based compensation reserve is transferred to share premium. Upon the vesting and transfer of the awarded shares to the awardees, the related costs are credited to shares held for the share award scheme, and the related fair value of the shares is debited to the employee share-based compensation reserve. The difference between the cost and the fair value of the vested awarded shares is credited to retained earnings if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

The exchange reserve represents the resulting exchange differences arising from the translation of results and financial position of the Group's entities that have a functional currency different from the Company's presentation currency.

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

US$ millions	2016	2015 (Restated)
PLDT	**(81.3)**	(49.5)
Indofood	**(353.6)**	(411.0)
MPIC	**(123.0)**	(59.2)
Philex	**(8.7)**	4.1
Others	**(37.1)**	(26.7)
Total	**(603.7)**	(542.3)

The unrealized gains/losses on available-for-sale assets relate to changes in the fair value of available-for-sale assets of the Group's entities.

The unrealized gains/losses on cash flow hedges and income tax related to cash flow hedges relate to the effective portion of changes in fair value of cash flow hedges of the Group's entities.

The actuarial gains/losses on defined benefit pension plans relate to changes in the present value of defined benefit pension obligations resulting from experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Share of other comprehensive income/losses of associated companies and joint ventures relates to the Group's share of its associated companies and joint ventures' exchange reserve, unrealized gains/losses on available-for-sale assets, unrealized gains/losses on cash flow hedges, income tax related to cash flow hedges, actuarial gains/losses on defined benefit pension plans and revaluation reserve.

The differences arising from changes in equities of subsidiary companies relate to a change in the Group entities' ownership interest in their subsidiary companies without a change of control.

The reserves for assets classified as held for sale pertain to exchange reserve arising from the translation of net assets of disposal groups and the Group's share of disposal groups' reserves.

The capital and other reserves include capital reserves arising from reorganization activities in some of the Group's entities and equity conversion option. The equity conversion option represents the Group's share of equity component of convertible notes issued by an associated company.

The contributed surplus of the Group arose from (a) the Company's reallocation of its entire amount of share premium balance of US$1,785.2 million on 28 June 2016 to distributable reserve, following the approval obtained from the Company's shareholders during the adjourned annual general meeting, by way of a share premium reduction to nil and a subsequent transfer of the credit amount arising therefrom to the contributed surplus account and (b) a reorganization of the Group in 1988 and represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiary companies acquired at the date of acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus provided certain conditions are met.

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

US$ millions	Associated Companies 2016	Associated Companies 2015	Joint Ventures 2016	Joint Ventures 2015	**Total** 2016	**Total** 2015
Associated Companies and Joint Ventures						
Revenue reserve	**(1,218.9)**	(1,117.0)	**109.9**	(31.2)	**(1,109.0)**	(1,148.2)
Exchange reserve	**(91.1)**	(46.5)	**(20.2)**	(20.6)	**(111.3)**	(67.1)
Unrealized gains/(losses) on available-for-sale assets	**3.6**	(1.0)	**–**	–	**3.6**	(1.0)
Unrealized gains on cash flow hedges, net of tax	**3.1**	3.1	**1.3**	0.8	**4.4**	3.9
Actuarial losses on defined benefit pension plans	**(143.9)**	(123.8)	**–**	–	**(143.9)**	(123.8)
Differences arising from changes in equities of subsidiary companies	**(7.1)**	(6.9)	**(10.9)**	–	**(18.0)**	(6.9)
Capital and other reserves	**15.1**	14.9	**–**	–	**15.1**	14.9
Total (Note 14)	**(1,439.2)**	(1,277.2)	**80.1**	(51.0)	**(1,359.1)**	(1,328.2)

33. Non-controlling Interests

Details of the Group's subsidiary companies that have material non-controlling interests are set out below.

	2016	2015
Percentage of equity interest held by non-controlling interests		
– Indofood	**49.9%**	49.9%
– MPIC	**58.0%**	47.9%
– FPM Power	**32.2%**	31.4%
– FP Natural Resources	**20.6%**	20.6%

US$ millions	**2016**	2015 (Restated)
Profit/(loss) for the year allocated to non-controlling interests		
– Indofood	**231.1**	146.9
– MPIC	**235.1**	219.5
– FPM Power	**(52.5)**	(28.3)
– FP Natural Resources	**0.9**	0.2
Dividends paid to non-controlling interests		
– Indofood	**92.1**	119.9
– MPIC	**72.5**	55.1
– FPM Power	**–**	–
– FP Natural Resources	**–**	1.5
Accumulated balances of non-controlling interests at 31 December		
– Indofood	**2,275.7**	2,212.8
– MPIC	**2,500.7**	1,885.4
– FPM Power	**28.6**	36.7
– FP Natural Resources	**117.3**	129.3

The following table illustrates the summarized financial information under HKFRS of the above subsidiary companies. The amounts disclosed are before any inter-company eliminations.

For the year ended/at 31 December US$ millions	Indofood 2016	 2015 (Restated)[i]	MPIC 2016	 2015	FPM Power 2016	 2015	FP Natural Resources 2016	 2015
Statements of Comprehensive Income								
Turnover	**5,010.5**	4,763.3	**940.2**	816.5	**575.3**	663.5	**253.0**	193.6
Profit/(loss) for the year	**360.5**	225.9	**352.0**	330.5	**(128.8)**	(55.1)	**0.1**	(4.1)
Other comprehensive (loss)/income	**(54.0)**	116.6	**30.8**	(7.8)	**75.7**	(5.7)	**(9.1)**	(10.4)
Total Comprehensive Income/(Loss)	**306.5**	342.5	**382.8**	322.7	**(53.1)**	(60.8)	**(9.0)**	(14.5)
Statements of Financial Position								
Non-current assets	**4,066.8**	3,669.8	**6,263.9**	5,648.8	**898.2**	1,023.3	**376.5**	402.2
Current assets	**2,163.6**	3,086.2	**638.2**	772.3	**177.0**	141.6	**131.7**	146.7
Non-current liabilities	**(1,451.4)**	(1,744.4)	**(2,609.6)**	(2,496.6)	**(596.1)**	(603.4)	**(149.8)**	(124.8)
Current liabilities	**(1,429.9)**	(1,817.9)	**(509.7)**	(720.6)	**(418.1)**	(448.1)	**(157.2)**	(209.1)
Net Assets	**3,349.1**	3,193.7	**3,782.8**	3,203.9	**61.0**	113.4	**201.2**	215.0
Statements of Cash Flows								
Net cash from/(used in) operating activities	**554.8**	483.2	**309.3**	319.3	**(11.9)**	(6.2)	**(32.4)**	(7.5)
Net cash (used in)/from investing activities	**(63.9)**	(549.6)	**(778.1)**	(1,046.5)	**(1.0)**	(3.0)	**31.5**	(64.0)
Net cash (used in)/from financing activities	**(468.9)**	(26.9)	**447.5**	699.7	**23.9**	1.5	**9.3**	36.3
Net Increase/(Decrease) in Cash and Cash Equivalents	**22.0**	(93.3)	**(21.3)**	(27.5)	**11.0**	(7.7)	**8.4**	(35.2)

(i) Information in respect of Indofood for 2015 have been restated to reflect the Group's adoption of HKAS 16 and HKAS 41 Amendments.

Effects of Transactions with Non-controlling Interests

In February 2015, MPIC effectively issued 1.812 billion of new MPIC common shares to certain investors through a share placement for a total consideration of Pesos 8.9 billion (approximately US$200 million). As a result of this transaction, the interest of Metro Pacific Holdings, Inc. (MPHI), a Philippine affiliate of the Company, in MPIC was reduced from 55.8% to 52.1%. The Group recorded a net credit amount of US$20.1 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

From March to May 2015, IndoAgri repurchased 21.4 million of its own shares at a total cost of Rupiah 152 billion (US$11.3 million). The Group recorded a credit balance of US$1.4 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In June 2015, Indofood purchased 19.6 million shares of IndoAgri at a total cost of Rupiah 136 billion (US$10.1 million). The Group recorded a credit balance of US$2.4 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In May 2016, MPHI, a Philippine affiliate of the Company, sold 1.3 billion of MPIC common shares to GT Capital for a total consideration of Pesos 7.9 billion (US$168.6 million). In addition, MPIC issued 3.6 billion of new MPIC common shares to GT Capital through a share placement for a total consideration of Pesos 22.0 billion (US$460.7 million). As a result of these transactions, the interest of MPHI in MPIC was reduced from 52.0% to 42.0%. The Group recorded a net credit amount of US$96.2 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In May 2016, RHI conducted a rights issue of Pesos 1.12 billion (US$23.5 million), FP Natural Resources and its Philippine affiliate underwrote and subscribed Pesos 1.10 billion (US$23.1 million) of RHI's rights shares. The Group recorded a credit balance of US$5.8 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

In September 2016, MPIC repurchased 24.0 million of its own shares at a total cost of Pesos 167 million (US$3.5 million). The Group recorded a debit balance of US$0.5 million in differences arising from changes in equities of subsidiary companies within the Group's equity in respect of this transaction.

34. Other Comprehensive (Loss)/Income Attributable to Owners of the Parent

US$ millions	Exchange reserve	Unrealized gains/(losses) on available-for-sale assets	Unrealized (losses)/gains on cash flow hedges	Income tax related to cash flow hedges	Actuarial (losses)/gains on defined benefit pension plans	Share of other comprehensive (loss)/income of associated companies and joint ventures	**Total**
Balance at 1 January 2015							
As previously reported	(307.7)	14.9	(28.0)	4.1	(28.4)	(34.0)	(379.1)
Prior year adjustments	23.5	–	–	–	–	–	23.5
As restated	(284.2)	14.9	(28.0)	4.1	(28.4)	(34.0)	(355.6)
Other comprehensive (loss)/income for the year							
As previously reported	(233.6)	37.4	(4.6)	0.9	10.9	(84.0)	(273.0)
Prior year adjustments	7.1	–	–	–	–	–	7.1
As restated	(226.5)	37.4	(4.6)	0.9	10.9	(84.0)	(265.9)
Acquisition and dilution of interests in subsidiary companies	(1.0)	–	–	–	–	(0.7)	(1.7)
Balance at 31 December 2015	(511.7)	52.3	(32.6)	5.0	(17.5)	(118.7)	(623.2)
Balance at 1 January 2016							
As previously reported	(542.3)	52.3	(32.6)	5.0	(17.5)	(118.7)	**(653.8)**
Prior year adjustments	30.6	–	–	–	–	–	**30.6**
As restated	(511.7)	52.3	(32.6)	5.0	(17.5)	(118.7)	**(623.2)**
Other comprehensive (loss)/income for the year	(101.9)	(7.2)	41.6	(7.2)	–	0.7	**(74.0)**
Recycled to retained earnings	–	–	–	–	–	(1.3)	**(1.3)**
Acquisition, divestment and dilution of interests in subsidiary companies	9.9	–	–	–	–	(1.6)	**8.3**
Balance at 31 December 2016	**(603.7)**	**45.1**	**9.0**	**(2.2)**	**(17.5)**	**(120.9)**	**(690.2)**

35. Notes to the Consolidated Statement of Cash Flows

(A) Proceeds from Disposal of a Disposal Group Classified as Held for Sale

2016's cash inflow of US$258.7 million relates to Indofood's disposal of CMZ in December 2016. Further details of which are set out in Note 8 to the Consolidated Financial Statements.

(B) Increased Investments in a Joint Venture

2016's cash outflow of US$235.2 million relates to MPIC's partial payments to PCEV for its acquisition of an additional 25% interest in Beacon Electric in May 2016. 2015's cash outflow of US$14.1 million relates to Indofood's increased investments in CMAA.

(C) Increase Investments in Preferred Shares issued by a Joint Venture

2016's cash outflow of US$194.8 million relates to MPIC's payments to (a) PCEV for its acquisition of preferred shares issued by Beacon Electric (US$121.4 million) and (b) Beacon Electric for subscription of additional preferred shares (US$73.4 million) in May 2016.

(D) Increased Investments in Associated Companies

2016's cash outflow of US$111.8 million mainly relates to MPIC's final payment made in July 2016 for its acquisition of a 10% direct interest in Meralco in April 2015 (US$89.0 million) and payment for its acquisition of an additional 14% interest in TMC in December 2016 (US$18.6 million). 2015's cash outflow of US$519.4 million mainly relates to MPIC's partial payments to Beacon Electric for its acquisition of an additional 10% direct interest in Meralco in April 2015 and final payment for its acquisition of a 5% direct interest in Meralco in June 2014.

(E) Acquisition of Subsidiary Companies and a Business

US$ millions	MPIC's acquisition of a logistics business	MPIC's acquisition of ESTII	MPIC's acquisition of MVMC	Others	2016 Total	2015 Total
	Fair value recognized on acquisition[i]					
Consideration						
Cash and cash equivalents	46.1	38.3	20.8	7.3	**112.5**	160.9
Associated companies and joint ventures[ii]	–	–	–	–	**–**	49.1
Total	46.1	38.3	20.8	7.3	**112.5**	210.0
Net Assets						
Property, plant and equipment (Note 12)	15.0	–	6.7	7.0	**28.7**	431.2
Associated companies and joint ventures	–	–	–	–	**–**	13.9
Other intangible assets (Note 16)	2.0	23.9	–	–	**25.9**	0.8
Investment properties (Note 17)	–	–	–	–	**–**	10.0
Deferred tax assets (Note 20)	–	–	–	–	**–**	3.3
Other non-current assets	–	–	0.1	0.2	**0.3**	3.6
Cash and cash equivalents	–	2.1	0.7	3.5	**6.3**	56.4
Accounts receivable, other receivables and prepayments (Current)	4.9	3.0	2.9	1.0	**11.8**	42.5
Inventories	–	0.7	0.3	–	**1.0**	51.3
Accounts payable, other payables and accruals	–	–	(3.2)	(1.2)	**(4.4)**	(98.7)
Short-term borrowings	–	–	–	–	**–**	(41.0)
Provision for taxation (Note 28)	–	–	–	–	**–**	(4.2)
Long-term borrowings	–	–	–	–	**–**	(152.0)
Deferred liabilities, provisions and payables (Note 29)	–	–	(0.1)	(0.1)	**(0.2)**	(5.4)
Deferred tax liabilities (Note 20)	–	–	–	–	**–**	(36.1)
Total Net Identifiable Assets Acquired	21.9	29.7	7.4	10.4	**69.4**	275.6
Non-controlling interests	–	(10.4)	(0.5)	(3.1)	**(14.0)**	(93.4)
Total Share of Net Identifiable Assets Acquired	21.9	19.3	6.9	7.3	**55.4**	182.2
Goodwill (Note 15)	24.2	19.0	13.9	–	**57.1**	27.8
Net Cash Outflow per the Consolidated Statement of Cash Flows						
– Acquisition of subsidiary companies	–	(36.2)	(20.1)	(3.8)	**(60.1)**	(104.5)
– Acquisition of a business	(46.1)	–	–	–	**(46.1)**	–
Total	(46.1)	(36.2)	(20.1)	(3.8)	**(106.2)**	(104.5)

(i) Provisional amounts determined based on management's best estimates of the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed, and subject to revision upon their further assessment
(ii) Represents the fair value of a 34.0% equity interest in RHI previously held by the Group

On 19 May 2016, MMI, a subsidiary company of MPIC, acquired a logistics business and certain assets at a consideration of Pesos 2.2 billion (US$46.1 million). The transaction costs of US$0.3 million incurred by MMI for this business combination have been recognized as administrative expenses in the consolidated income statement.

On 16 June 2016, MWIC, a subsidiary company of MPIC, acquired a 65.0% interest in ESTII at a consideration of Pesos 1.8 billion (US$38.3 million). ESTII principally engages in the business of designing, supplying, constructing, installing and operating and maintaining wastewater and sewage treatment plant facilities in the Philippines. The transaction costs of US$0.1 million incurred by MWIC for this business combination have been recognized as administrative expenses in the consolidated income statement.

On 29 July 2016, MPHHI, a subsidiary company of MPIC, acquired a 93.1% interest in MVMC at a consideration of Pesos 1.0 billion (US$20.8 million). MVMC is a prominent tertiary hospital along Sumulong Highway in Marikina. The transaction costs of US$0.1 million incurred by MPHHI for this business combination have been recognized as administrative expenses in the consolidated income statement.

The net assets of the logistics business, ESTII and MVMC recognized in the Group's 2016 consolidated financial statements were based on provisional assessments of their fair values while the Group is still evaluating the fair values of their assets acquired and liabilities and contingent liabilities assumed. The valuation and assessment had not been completed by the date the Group's 2016 consolidated financial statements were approved for issue by the Board of Directors. If new information obtained within one year of the acquisition dates about facts and circumstances that existed at the acquisition dates identifies adjustments to the above provisional amounts, or any provisions that existed at the acquisition dates, then the accounting for the acquisition will be revised.

The goodwill arising from MPIC's acquisition of the logistic business, ESTII and MVMC pertains, but is not limited to, the expected synergies in the Group arising from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

Since the dates of acquisition, the above acquired subsidiary companies recorded in aggregate a turnover of US$23.3 million and profit for the period of US$1.8 million which are included in the consolidated income statement of the Group. If the acquisitions had taken place on 1 January 2016, the turnover and profit for the year ended 31 December 2016 of the Group would have been US$6,786.6 million and US$518.0 million, respectively.

2015's net cash outflow of US$104.5 million mainly relates to RHI's acquisition of SCBI, an ethanol manufacturing company in the Philippines, and Indofood's acquisition of Asian Assets Management Pte. Ltd., a company based in Singapore which as a 100% interest in PT Aston Inti Makmur (AIM). AIM principally engages in property business and operates its own office building, Ariobimo Sentral Building located in Jakarta, Indonesia.

(F) Investments in Joint Ventures

2015's cash outflow of US$423.4 million relates to the Group's additional investments to increase its effective interest in Goodman Fielder by 40.2% to 50.0%.

(G) Investments in Associated Companies

2015's cash outflow of US$107.7 million mainly relates to MPIC's acquisition of a 44.9% interest in CIIB&R (US$90.4 million), a 20.0% interest in MMSI (US$8.1 million) and a 25.0% interest in Indra Philippines, Inc. (Indra) (US$7.2 million), an information technology management and consultancy company.

(H) Proceeds from Issue of Shares to Non-controlling Shareholders by Subsidiary Companies

2016's cash inflow of US$463.4 million mainly represents MPIC's net proceeds from share placement (US$460.7 million) (2015: US$192.6 million).

(I) Proceeds from Divestment of Interests in a Subsidiary Company

2016's cash inflow of US$168.6 million represents the Group's net proceeds from sale of MPIC shares.

(J) Major Non-cash Transaction

On 17 April 2015, MPIC acquired a 10% interest in Meralco from Beacon Electric at an aggregate consideration of Pesos 26.5 billion (US$581.0 million), of which Pesos 1.2 billion (US$25.2 million) and Pesos 3.0 billion (US$62.9 million) of the remaining outstanding payable to Beacon Electric were offset against Beacon Electric's preferred share dividends declared in March 2016 and June 2016 and common share dividends declared in July 2016.

36. Commitments and Contingent Liabilities

(A) Capital Expenditure

US$ millions	2016	2015
Commitments in respect of subsidiary companies:		
Authorized, but not contracted for	**1,492.5**	1,353.6
Contracted, but not provided for	**369.6**	207.5
Total	**1,862.1**	1,561.1

The Group's capital expenditure commitments principally relate to Indofood's and RHI's purchase of property, plant and equipment, and construction of infrastructures for Maynilad's water, MPTC's toll road and LRMC's rail businesses.

(B) Leasing Commitments

At 31 December 2016, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

US$ millions	2016	2015
Land and Buildings		
– Within one year	**8.0**	8.0
– Between two and five years, inclusive	**29.1**	30.1
– After five years	**42.7**	42.6
Subtotal	**79.8**	80.7
Plant and Equipment		
– Within one year	**1.7**	1.5
– Between two and five years, inclusive	**5.2**	2.4
Subtotal	**6.9**	3.9
Total	**86.7**	84.6

(C) Contingent Liabilities

(a) At 31 December 2016, except for US$59.9 million (2015: US$73.4 million) of guarantees given by Indofood for loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of fresh fruit bunches to Indofood, the Group had no significant contingent liabilities (2015: Nil).

(b) On 29 June 2011, the Supreme Court of the Philippines, or the Court, promulgated a Decision in the case of Wilson P. Gamboa vs. Finance Secretary Margarito B. Teves, et. al. (G.R. No. 176579) (the "Gamboa Case"), holding that "the term 'capital' in Section 11, Article XII of the 1987 Constitution refers only to shares of stock entitled to vote in the election of directors and thus only to voting common shares, and not to the total outstanding capital stock (common and non-voting preferred shares)". This decision reversed earlier opinions issued by the Philippine Securities and Exchange Commission (SEC) that non-voting preferred shares are included in the computation of the 60%-40% Filipino-alien equity requirement of certain economic activities, such as telecommunications (which is a public utility under Section 11, Article XII of the 1987 Constitution).

Although PLDT is not a party to the Gamboa Case, in its decision, the Court directed the Philippine SEC "to apply this definition of the term 'capital' in determining the extent of allowable foreign ownership in PLDT, and if there is a violation of Section 11, Article XII of the 1987 Constitution, to impose the appropriate sanctions under the law." Although the parties to the Gamboa Case filed Motions for Reconsideration of the decision and argued their positions before the Court, the Court ultimately denied the motions on 9 October 2012.

Meanwhile, on 5 July 2011, the Board of Directors of PLDT approved the amendments to the Seventh Article of Amended Articles of Incorporation of PLDT, or the Amendments to the Articles, which subclassified its authorized preferred capital into preferred shares with full voting rights, or Voting Preferred Shares, and serial preferred shares without voting rights. The Amendments to the Articles were subsequently approved by the stockholders of PLDT and the Philippine SEC.

On 15 October 2012, PLDT and BTF Holdings, Inc. (BTFHI), a Filipino corporation and a wholly-owned company of The Board of Trustees for the Account of the Beneficial Trust Fund created pursuant to the PLDT's Benefit Plan, entered into a Subscription Agreement, pursuant to which PLDT issued 150 million Voting Preferred Shares to BTFHI at Peso 1 per share reducing the percentage of PLDT's voting stock held by foreigners from 56.62% (based on Voting Common Stock) as at 15 October 2012 to 18.37% (based on Voting Common and Preferred Stock) as at 15 April 2013.

On 20 May 2013, the Philippine SEC issued SEC Memorandum Circular No. 8, Series of 2013, or MC No. 8, which PLDT believes was intended to fulfill the Court's directive to the Philippine SEC in the Gamboa Case. The Philippine SEC Guidelines provided that "the required percentage of Filipino ownership shall be applied to BOTH: (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors." PLDT believes it was, and continues to be, compliant with the Philippine SEC Guidelines. As at 2 March 2017, PLDT's foreign ownership was 27.93% of its outstanding shares entitled to vote (Common and Voting Preferred Shares), and 15.35% of its total outstanding capital stock. Therefore, PLDT believe that as at 2 March 2017, PLDT was in compliance with the requirement of Section 11, Article XII of the 1987 Constitution.

On 10 June 2013, Jose M. Roy III filed a petition for certiorari with the Supreme Court against the Philippine SEC, Philippine SEC Chairperson Teresita Herbosa and PLDT, claiming: (1) that the Philippine SEC Guidelines violates the Court's decision in the Gamboa Case (on the basis that (a) the 60-40 ownership requirement be imposed on "each class of shares" and (b) Filipinos must have full beneficial ownership of 60% of the outstanding capital stock of corporations subject to the foreign ownership requirements); and (2) that the PLDT Beneficial Trust Fund is not a Filipino-owned entity and consequently, the corporations owned by PLDT Beneficial Trust Fund, including BTFHI, cannot be considered Filipino-owned corporations.

PLDT raised several procedural and substantive arguments against the petition, including in particular, that (a) the Philippine SEC Guidelines merely implemented the dispositive portion of the decision in the Gamboa Case, and that the dispositive portion of the Gamboa Case that defines "capital" is properly reflected in the Philippine SEC Guidelines, and (b) the fundamental requirements which need to be satisfied in order for PLDT Beneficial Trust Fund and BTFHI to be considered Filipino (for PLDT Beneficial Trust Fund's Trustees to be Filipinos and for 60% of the Fund to accrue to the benefit of Philippine nationals) are satisfied with respect to the PLDT Beneficial Trust Fund, and therefore, PLDT Beneficial Trust Fund and BTFHI are Filipino shareholders for purposes of classifying their 150 million Voting Preferred Shares in PLDT. As a result, more than 60% of PLDT's total voting stock is Filipino- owned and PLDT is compliant with the Constitutional ownership requirements.

In 2013, the Philippine SEC and Chairperson Teresita Herbosa also raised a number of arguments for dismissal of the petition for being procedurally flawed and for lack of merit.

In May 2014, the petitioner filed a consolidated reply and a motion for the issuance of a temporary restraining order to prevent PLDT from holding its 2014 annual stockholders meeting. The temporary restraining order was denied and PLDT held its 2014 annual meeting on 10 June 2014 as scheduled.

On 10 February 2015, PLDT filed a consolidated memorandum setting forth its arguments against the petition.

The Supreme Court, in a Resolution dated 14 June 2016, granted the Omnibus Motion: (i) for Leave to Intervene; and (ii) to Admit Comment-in-Intervention, dated 30 May 2016, filed by counsel for Intervenor Shareholders Association of the Philippines, Inc., or Sharephil, noted the aforesaid Comment-in-Intervention, and required the adverse parties to file a Reply to the Comment-in-Intervention within a non-extendible period of 10 days from receipt thereof. On 5 July 2016, PLDT was furnished a copy of the Opposition and Reply to Interventions of the Philippine Stock Exchange and Sharephil dated 30 June 2016 and filed by Petitioner Jose M. Roy III.

The Supreme Court, in a Decision dated 22 November 2016, dismissed the petitions filed by Jose M. Roy III and other petitioners-in-intervention against Philippine SEC Chairperson, Teresita Herbosa (the “Decision”). The Decision upheld the validity of MC No. 8, which requires public utility corporations to maintain at least 60% Filipino ownership in both its “total number of outstanding shares of stock entitled to vote in the election of directors” and its “total number of outstanding shares of stock, whether or not entitled to vote in the election of directors” and declared the same to be compliant with the Court’s ruling in the Gamboa Case. Consequently, the Court ruled that MC No. 8 cannot be said to have been issued with grave abuse of discretion.

In the course of discussing the petitions, the Supreme Court expressly rejected petitioners’ argument that the 60% Filipino ownership requirement for public utilities must be applied to each class of shares. According to the Court, the position is “simply beyond the literal text and contemplation of Section 11, Article XII of the 1987 Constitution” and the petitioners’ suggestion would “effectively and unwarrantedly amend or change” the Court’s ruling in the Gamboa Case. In categorically rejecting the petitioners’ claim, the Court declared and stressed that its Gamboa ruling “did NOT make any definitive ruling that the 60% Filipino ownership requirement was intended to apply to each class of shares.” On the contrary, according to the Court, “nowhere in the discussion of the term “capital” in Section 11, Article XII of the 1987 Constitution in the Gamboa Decision did the Court mention the 60% Filipino equity requirement to be applied to each class of shares.”

In respect of ensuring Filipino ownership and control of public utilities, the Court noted that this is already achieved by the requirements under MC No. 8. According to the Court, “since Filipinos own at least 60% of the outstanding shares of stock entitled to vote directors, which is what the Constitution precisely requires, then the Filipino stockholders control the corporation – i.e., they dictate corporate actions and decisions…”

The Court further noted that the application of the Filipino ownership requirement as proposed by petitioners “fails to understand and appreciate the nature and features of stocks and financial instruments” and would “greatly erode” a corporation’s “access to capital – which a stock corporation may need for expansion, debt relief/repayment, working capital requirement and other corporate pursuits.” The Court reaffirmed that “stock corporations are allowed to create shares of different classes with varying features” and that this “is a flexibility that is granted, among others, for the corporation to attract and generate capital (funds) from both local and foreign capital markets” and that “this access to capital – which a stock corporation may need for expansion, debt relief/prepayment, working capital requirement and other corporate pursuits – will be greatly eroded with further unwarranted limitations that are not articulated in the Constitution.” The Court added that “the intricacies and delicate balance between debt instruments (liabilities) and equity (capital) that stock corporations need to calibrate to fund their business requirements and achieve their financial targets are better left to the judgment of their boards and officers, whose bounden duty is to steer their companies to financial stability and profitability and who are ultimately answerable to their shareholders.”

The Court went on to say that “too restrictive definition of ‘capital’, one that was never contemplated in the Gamboa Decision, will surely have a dampening effect on the business milieu by eroding the flexibility inherent in the issuance of preferred shares with varying terms and conditions. Consequently, the rights and prerogatives of the owners of the corporation will be unwarrantedly stymied.” Accordingly, the Court said that the petitioners’ “restrictive interpretation of the term ‘capital’ would have a tremendous (adverse) impact on the country as a whole – and to all Filipinos.”

37. Employees' Benefits

(A) Remuneration

US$ millions	2016	2015
Basic salaries	**464.9**	432.9
Bonuses	**147.1**	111.5
Benefits in kind	**96.9**	89.1
Pension contributions	**45.0**	48.3
Retirement and severance allowances	**12.0**	12.8
Employee share-based compensation benefit expenses	**12.2**	12.8
Total	**778.1**	707.4
Average Number of Employees	**93,952**	97,460

The above includes the remuneration of the Directors. Detailed disclosures in respect of the Directors' remuneration are set out in Note 38(A) to the Consolidated Financial Statements.

(B) Retirement Benefits

The Group operates both defined contribution and defined benefit schemes. In addition, the Group has made provisions for estimated liabilities for employee benefits for meeting the minimum benefits required to be paid to the qualified employees as required under the Philippines Republic Act (R.A.) No. 7641 (R.A. 7641) and the Indonesian Labor Law. Under R.A. 7641, companies are required to pay a minimum benefit of equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year, to employee with at least five years of services. As some of the entities of the Group operate in the Philippines, they provide for either a defined contribution retirement plan or a defined benefit plan that consider the minimum benefit guarantee mandated under R.A. 7641.

Under the Indonesian Labor Law, companies are required to pay separation, appreciation and compensation benefits to their employees if the conditions specified in the Indonesian Labor Law are met. Some of the Group's Indonesian subsidiary companies maintain and operate formal pension plans for the benefit of their employees, additional provisions for the estimated liabilities for employee service entitlement benefits are made on top of the benefits provided under their respective pension plans, if necessary, in order to meet and cover the minimum benefits required to be paid to employees under the Indonesian Labor Law.

Under the Central Provident Fund Act in Singapore, the Singapore companies in the Group are required to make contributions to the Central Provident Fund scheme in Singapore, which is a defined contribution pension scheme. Contributions to defined contribution pension schemes are made based on a percentage of the employees' basic salaries and charged to the income statement as they become payable in accordance with the rules of the respective schemes.

Under the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Schemes Ordinance in Hong Kong, the Hong Kong companies in the Group are required to make contributions to the Mandatory Provident Fund retirement scheme and the occupational retirement scheme, respectively, in Hong Kong, which are defined contribution pension schemes. Contributions are made based on a percentage of the employees' basic salaries and charged to the income statement as they become payable in accordance with the rules of the respective schemes.

(a) Defined contribution schemes

The Group operates seven (2015: seven) defined contribution schemes covering approximately 17,028 (2015: 17,050) employees. The assets of these schemes are held separately from the Group and are administered by independent trustees. Contributions to the schemes, either by the Group or by the employees, are determined by reference to the employees' salaries and length of service and range from 0% to 20% (2015: 0% to 20%). Under the terms of the schemes, the Group cannot be requested to make additional payments over and above these levels of contributions. In three (2015: three) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2016, no amount (2015: Nil) was used for this purpose. At 31 December 2016, the forfeited contributions had been fully utilized.

The Group's Indonesian and Singapore subsidiary companies have defined contribution retirement plans covering substantially all of their qualified permanent employees. The related liability arising from the difference between the cumulative funding since the establishment of the program and the cumulative pension costs charged to the consolidated income statement during the same period is recognized as employee benefits liabilities in the consolidated statement of financial position.

Although the Group's Philippine operating companies operate defined contribution schemes, they are covered under R.A. 7641 which provides for its qualified employees under a defined benefit minimum guarantee. The defined minimum guarantee is equivalent to a certain percentage of the monthly salary payment to an employee at the normal retirement age with the required credited years of service based on the provisions of R.A. 7641. The Philippine operating companies account for the retirement obligation under the higher of defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

(b) Defined benefit schemes and estimated liabilities for employee benefits

The Group operates 22 (2015: 18) defined benefit schemes covering approximately 8,957 (2015: 8,111) employees. Six (2015: Four) of the plans are unfunded where the Group meets the benefit payment obligations as they fall due while 16 (2015: 14) of defined benefit payments are from trustee-administered funds. For unfunded schemes, the Group engages the services of actuaries to conduct valuation studies to determine the retirement obligations to ensure that these maturing obligations and expected benefit payments are covered and budgeted for. For the funded schemes, the assets 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 on an annual basis. These actuarial valuations, performed by the actuaries of PT Sentra Jasa Aktuaria (a member of the Fellow Society of Actuary of Indonesia and Expert in Life Insurance in Indonesia), Actuarial Advisers, Inc., Institutional Synergy, Inc., FASP and E.M. Zalamea Actuarial Services, Inc. (members of the Actuary Society of the Philippines), were based on the projected unit credit method. The plan assets do not include any financial instruments of the Group or property occupied by, or other assets used by, the Group. At 31 December 2016, the Group's level of funding in respect of its defined benefit schemes was 69.5% (2015: 65.2%).

The Group's plan assets mainly comprise equities, debt securities, properties, receivables, cash in banks, time deposits and unit trust funds. Thus, the cash flow from the assets alters in accordance with the change of equity prices and interest rates, and the assets are subject to various risks including interest rate, investment and longevity risks. While the Group does not perform any asset-liability matching study, the risks arising from the nature of the assets comprising the fund, are mitigated by limiting the investments in financial assets only to the good quality instruments as recommended by the trust managers, investing in reputable equity shares with good fair values and contributing to the respective fund from time to time, based on the recommendations of their actuaries with the objective of maintaining their respective fund in a sound condition.

The Group has also made provisions for estimated liabilities for employee benefits covering the employees of its Indonesian subsidiary companies. The amounts of such provisions were determined by reference to employees' final salaries and length of service and based on actuarial computations prepared by the actuaries of PT Sentra Jasa Aktuaria (a member of the Fellow Society of Actuary of Indonesia and Expert in Life Insurance in Indonesia) using the projected unit credit method.

(I) The amounts of liability under defined benefit schemes and estimated liabilities for employee benefits included in the consolidated statement of financial position are as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Total **2016**	2015
Present value of defined benefit obligations	(57.1)	(385.9)	**(443.0)**	(396.5)
Fair value of plan assets	39.7	–	**39.7**	32.8
Liability in the Statement of Financial Position	(17.4)	(385.9)	**(403.3)**	(363.7)

(II) The changes in the present value of the obligations under defined benefit schemes and estimated liabilities for employee benefits during the year are as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Total **2016**	2015
At 1 January	(50.3)	(346.2)	**(396.5)**	(420.1)
Exchange translation	0.9	(7.8)	**(6.9)**	39.6
Current service cost	(6.4)	(23.7)	**(30.1)**	(27.6)
Interest cost on obligation	(3.4)	(26.2)	**(29.6)**	(30.2)
Actuarial losses arising from changes in demographic assumptions	–	–	**–**	(0.1)
Actuarial gains/(losses) arising from changes in financial assumptions	0.9	(0.5)	**0.4**	31.8
Experience adjustments	(0.3)	1.9	**1.6**	0.7
Acquisition of subsidiary companies	(0.1)	–	**(0.1)**	(8.5)
Benefits paid	1.6	16.6	**18.2**	17.9
At 31 December	(57.1)	(385.9)	**(443.0)**	(396.5)

(III) The changes in the fair value of plan assets under the defined benefit schemes during the year are as follows:

US$ millions	2016	2015
At 1 January	**32.8**	30.3
Exchange translation	**(1.2)**	(2.3)
Interest income	**1.5**	0.9
Return on plan assets (excluding amount included in net interest cost)	**(1.4)**	(0.9)
Contributions by employers	**9.0**	1.8
Acquisition of subsidiary companies	**–**	4.2
Benefits paid	**(1.0)**	(1.2)
At 31 December	**39.7**	32.8

(IV) The major categories of plan assets as a percentage of the fair value of the total plan assets under the defined benefit schemes are as follows:

	2016	2015
Philippine debt equities	**33%**	32%
Philippine equities	**24%**	26%
Indonesian debt securities	**3%**	4%
Indonesian equities	**3%**	1%
Properties	**5%**	3%
Receivables	**3%**	3%
Cash in banks	**16%**	16%
Time deposits	**3%**	4%
Unit trust funds and others	**10%**	11%

(V) The amount recognized in the consolidated income statement and consolidated statement of comprehensive income is analyzed as follows:

US$ millions	Defined benefit schemes	Estimated liabilities for employee benefits	Total 2016	2015
Current service cost[(i)]	6.4	23.7	**30.1**	27.6
Interest cost on obligation[(i)]	3.4	26.2	**29.6**	30.2
Interest income on plan assets[(i)]	(1.5)	–	**(1.5)**	(0.9)
Actuarial losses arising from changes in demographic assumptions[(ii)]	–	–	**–**	0.1
Actuarial (gains)/losses arising from changes in financial assumptions[(ii)]	(0.9)	0.5	**(0.4)**	(31.8)
Experience adjustments[(ii)]	0.3	(1.9)	**(1.6)**	(0.7)
Return on plan assets (excluding amount included in net interest cost)[(ii)]	1.4	–	**1.4**	0.9
Total	9.1	48.5	**57.6**	25.4
Actual Return on Plan Assets			**3%**	2%

(i) Included in cost of sales, selling and distribution expenses and administrative expenses
(ii) Included in other comprehensive income

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

	2016	2015
Discount rate	**8%**	8%
Future annual salary increases	**8%**	9%
Retirement age (years)	**55**	55

(VII) The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the present value of the defined benefit obligation at the end of the reporting period would have increased or decreased as a result of changes in the respective assumptions:

US$ millions	Increase/ (decrease)	**(Decrease)/ increase At 31 December 2016**	Increase/ (decrease)	(Decrease)/ increase At 31 December 2015
Annual discount rate (%)	1.0	**(32.9)**	1.0	(29.8)
	(1.0)	**38.2**	(1.0)	34.1
Future annual salary increases (%)	1.0	**39.1**	1.0	35.2
	(1.0)	**(34.1)**	(1.0)	(30.6)

(VIII) The following table provides the maturity analysis of the undiscounted benefit payments as at 31 December 2016.

US$ millions	**2016**	2015
Less than one year	**23.6**	15.4
One year to five years	**119.7**	248.0
More than five years	**3,678.0**	3,815.8
Total expected benefit payments	**3,821.3**	4,079.2

The weighted average duration of the defined benefit obligation is 14 years (2015: 14 years).

(IX) The Group expects to contribute US$8.7 million (2015: US$9.1 million) to its defined benefit pension plans in the next year.

(C) Loans to Officers

During 2016 and 2015, there were no loans made by the Group to officers which require disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

38. Directors' and Senior Executives' Remuneration

(A) Directors' Remuneration

The remuneration of Directors and chief executive of the Company for the year, disclosed on an individual basis and pursuant to the Appendix 16 paragraph 24 of the Listing Rules, section 383 (1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Directors' Remuneration – 2016

	Non-performance based							
US$'000	Salaries	Other benefits	Pension contributions	Performance based payments[i]	Employee share-based compensation benefit expenses	Fees[ii]	Retirement benefits payment	**2016 Total**
Chairman								
Anthoni Salim	2,993	–	–	–	–	30	–	**3,023**
Executive Directors								
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	4,816	506	184	860	3,466	–	–	**9,832**
Edward A. Tortorici	880	96	473	–	2,144	–	–	**3,593**
Robert C. Nicholson	1,030	230	2	383	2,144	–	–	**3,789**
Non-executive Directors								
Tedy Djuhar	–	–	–	–	–	30	–	**30**
Benny S. Santoso	–	–	–	–	280	138	–	**418**
Ambassador Albert F. del Rosario [iii]	–	–	–	–	203	67	–	**270**
Napoleon L. Nazareno [iv]	–	–	–	2,739	42	20	1,416	**4,217**
Independent Non-executive Directors								
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	320	109	–	**429**
Margaret Leung Ko May Yee, *SBS, JP*	–	–	–	–	342	89	–	**431**
Philip Fan Yan Hok	–	–	–	–	342	109	–	**451**
Madeleine Lee Suh Shin	–	–	–	–	164	85	–	**249**
Total	9,719	832	659	3,982	9,447	677	1,416	**26,732**

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards.
(ii) For meetings attended
(iii) Ambassador Albert F. del Rosario was re-appointed to the Board of Directors with effect from 30 June 2016.
(iv) Mr. Napoleon L. Nazareno resigned from the Board of Directors with effect from 30 June 2016.

Directors' Remuneration – 2015

US$'000	Non-performance based Salaries	Other benefits	Pension contributions	Performance based payments[i]	Employee share-based compensation benefit expenses	Fees[ii]	Retirement benefits payment	Emoluments[iii]	2015 Total
Chairman									
Anthoni Salim	2,855	–	–	–	–	25	–	–	2,880
Executive Directors									
Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*	3,510	502	177	860	2,467	–	–	–	7,516
Edward A. Tortorici	883	142	473	–	1,339	–	–	–	2,837
Robert C. Nicholson	1,150	230	2	420	1,364	–	–	–	3,166
Non-executive Directors									
Tedy Djuhar	–	–	–	–	–	20	–	–	20
Benny S. Santoso	–	–	–	–	156	134	–	–	290
Napoleon L. Nazareno	839	–	–	2,737	158	35	5,698	–	9,467
Independent Non-executive Directors									
Graham L. Pickles[iv]	–	–	–	–	79	35	–	150	264
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	–	–	–	–	159	89	–	–	248
Margaret Leung Ko May Yee, *SBS, JP*	–	–	–	–	203	75	–	–	278
Philip Fan Yan Hok	–	–	–	–	203	65	–	–	268
Madeleine Lee Suh Shin[v]	–	–	–	–	–	25	–	–	25
Total	9,237	874	652	4,017	6,128	503	5,698	150	27,259

(i) Performance based payments comprise performance bonuses and long-term monetary incentive awards.
(ii) For meetings attended
(iii) For consultancy services provided to the Company in connection with Goodman Fielder
(iv) Mr. Graham L. Pickles retired from the Board of Directors with effect from 3 June 2015.
(v) Ms. Madeleine Lee Suh Shin was appointed as Independent Non-executive Director of the Company with effect from 2 September 2015.

Included within the total Directors' remuneration is an amount of US$1.0 million (2015: US$0.9 million) paid by PLDT, an associated company, in respect of the services of the Managing Director and Chief Executive Officer of the Company.

(B) Senior Executives' Remuneration

As similar remuneration schemes operate for the senior executives of the Group, their remuneration may exceed those of the Company's Directors. One (2015: Nil) senior executive was among the Group's five highest earning employee. The remaining four (2015: five) of the five highest earning employees are the Company's Directors.

US$'000	**2016**	2015
Non-performance based		
– Salaries and benefits	**1,611**	–
– Pension contributions	**129**	–
Performance based		
– Bonuses and long-term monetary incentive awards	**640**	–
Employee share-based compensation benefit expenses	**1,900**	–
Total	**4,280**	–

The table below shows the remuneration of one (2015: Nil) senior executive who was among the Group's five highest earning employees in 2016.

Remuneration band	**2016 Number**	2015 Number
US$4,221,000 – US$4,285,000	**1**	–

(C) Key Management Personnel Compensation

US$'000	**2016**	2015
Non-performance based		
– Salaries and benefits	**67.4**	65.1
– Pension contributions	**5.4**	6.0
Performance based		
– Bonuses and long-term monetary incentive awards	**58.6**	47.8
Employee share-based compensation benefit expenses	**12.2**	12.8
Fees	**0.6**	1.9
Total	**144.2**	133.6

(D) Share Options

The Company and its subsidiary companies operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Particulars of the share options of the Company and its subsidiary companies granted to the Directors and senior executives of the Company and its subsidiary companies at 31 December 2016 are set out below:

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

	Share options held at 1 January 2016	Share options granted during the year	Reclassification(ii)	Share options exercised during the year	Share options cancelled during the year	**Share options held at 31 December 2016**	Share option exercise price per share(i) (HK$)	Market price per share immediately before the date of grant(i) (HK$)	Grant date	Vesting period(v)	Exercisable period
Executive Directors											
Manuel V. Pangilinan	18,000,000	–	–	(3,000,000)	–	**15,000,000**	4.9457	4.9363	5 September 2007	September 2008 to September 2012	September 2008 to September 2017
	10,224,972	–	–	–	–	**10,224,972**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
Edward A. Tortorici	5,112,486	–	–	–	–	**5,112,486**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	10,348,694	–	–	–	–	**10,348,694**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	5,112,486	–	–	–	–	**5,112,486**	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
Robert C. Nicholson	13,704,933	–	–	–	–	**13,704,933**	4.9457	4.9363	5 September 2007	September 2008 to September 2012	September 2008 to September 2017
	6,646,232	–	–	–	–	**6,646,232**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	7,281,203	–	–	–	–	**7,281,203**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Non-Executive Directors											
Benny S. Santoso	1,066,177	–	–	–	–	**1,066,177**	4.9457	4.9363	5 September 2007	September 2008	September 2008 to September 2017
	715,748	–	–	–	–	**715,748**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	1,097,139	–	–	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	715,748	–	–	–	–	**715,748**	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
	–	1,339,600	–	–	–	**1,339,600**	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
Napoleon L. Nazareno(ii)	3,404,916	–	(3,404,916)	–	–	**–**	4.9457	4.5575	–	–	–
	1,097,139	–	(1,097,139)	–	–	**–**	10.2729	9.7213	–	–	–
Independent Non-Executive Directors											
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	3,405,651	–	–	–	–	**3,405,651**	4.9457	4.9363	5 September 2007	September 2008	September 2008 to September 2017
	1,097,139	–	–	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Margaret Leung Ko May Yee, *SBS, JP*	715,748	–	–	–	–	**715,748**	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Philip Fan Yan Hok	715,748	–	–	–	–	**715,748**	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	–	–	**1,097,139**	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Senior Executives	36,803,889	–	–	(2,224,000)	(7,583,032)	**26,996,857**	4.9457	4.9363	5 September 2007	September 2008 to September 2012	September 2008 to September 2017
	–	–	3,404,916	(3,404,916)	–	**–**	4.9457	4.5575	–	–	–
	3,542,137	–	–	(300,000)	–	**3,242,137**	5.1932	5.2127	18 June 2010	June 2012 to June 2015	June 2012 to June 2020
	17,075,702	–	–	–	(2,862,992)	**14,212,710**	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	33,019,503	–	1,097,139	–	(5,688,152)	**28,428,490**	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	14,638,000	–	–	–	–	**14,638,000**	10.2514	7.72	29 August 2013	July 2015 to July 2018	July 2015 to August 2023
	7,538,000	–	–	–	–	**7,538,000**	10.2514	9.24	15 July 2014	February 2016 to February 2019	February 2016 to July 2024
	–	1,184,750	–	–	–	**1,184,750**	4.972	4.950	15 April 2016	April 2017 to April 2019	April 2017 to April 2022
Total	205,273,668	2,524,350	–	(8,928,916)(iii)	(16,134,176)	**182,734,926(iv)**					

(i) Adjusted for the effect of the Company's rights issue completed in July 2013 for the prices prior to the trading of the Company's shares on an ex-rights basis on 6 June 2013 and the Company's rights issue completed in December 2009 for the prices prior to the trading of the Company's shares on an ex-rights basis on 29 October 2009.

(ii) Mr. Napoleon L. Nazareno resigned from the Board of Directors with effect from 30 June 2016 and his outstanding share options were reclassified under "Senior Executives".

(iii) The weighted average closing prices of the Company's shares immediately before and at the dates on which these share options were exercised are HK$5.43 and HK$5.45, respectively.

(iv) The number of outstanding share options vested and exercisable at 31 December 2016 was 150,183,591. These share options have a weighted average exercise price of HK$8.02.

(v) The vesting period of the share options is as follows:
  - (a) For the 2007 grant, the share options would be vested in five equal tranches from the first to the fifth year after the share options are granted, except for Non-executive Director and Independent Non-executive Director (fully vested from the first year after grant).
  - (b) For the 2010 grant, the share options would be vested in four tranches (40% from the second year after the share options are granted and 20% each from the third to the fifth year after grant).
  - (c) For the 2013 grants, the share options would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in July 2015 and 20% each in July 2016, July 2017 and July 2018).
  - (d) For the 2014 grant, the share options would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).
  - (e) For the 2016 grant, the share options would be vested in three equal tranches from the first to the third year after the share options are granted.

	Share options held at 1 January 2015	Share options exercised during the year	Share options cancelled during the year	Reclassification[ii]	Share options held at 31 December 2015	Share option exercise price per share[i] (HK$)	Market price per share immediately before the date of grant[i] (HK$)	Grant date	Vesting period[v]	Exercisable period
Executive Directors										
Manuel V. Pangilinan	18,000,000	–	–	–	18,000,000	4.9457	4.9363	5 September 2007	September 2008 to September 2012	September 2008 to September 2017
	10,224,972	–	–	–	10,224,972	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
Edward A. Tortorici	5,112,486	–	–	–	5,112,486	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	10,348,694	–	–	–	10,348,694	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	5,112,486	–	–	–	5,112,486	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
Robert C. Nicholson	13,704,933	–	–	–	13,704,933	4.9457	4.9363	5 September 2007	September 2008 to September 2012	September 2008 to September 2017
	6,646,232	–	–	–	6,646,232	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	7,281,203	–	–	–	7,281,203	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Non-Executive Directors										
Benny S. Santoso	1,066,177	–	–	–	1,066,177	4.9457	4.9363	5 September 2007	September 2008	September 2008 to September 2017
	715,748	–	–	–	715,748	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	1,097,139	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	715,748	–	–	–	715,748	10.2299	7.72	29 August 2013	September 2013 to September 2017	September 2013 to August 2023
Napoleon L. Nazareno	3,404,916	–	–	–	3,404,916	4.9457	4.5575	11 December 2009	December 2010	December 2010 to December 2019
	1,097,139	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Independent Non-Executive Directors										
Graham L. Pickles[ii]	1,431,496	–	–	(1,431,496)	–	10.2299	10.4450	–	–	–
	1,097,139	–	–	(1,097,139)	–	10.2729	9.7213	–	–	–
Prof. Edward K.Y. Chen, *GBS, CBE, JP*	3,405,651	–	–	–	3,405,651	4.9457	4.9363	5 September 2007	September 2008	September 2008 to September 2017
	1,097,139	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
Margaret Leung Ko May Yee, *SBS, JP*	715,748	–	–	–	715,748	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Philip Fan Yan Hok	715,748	–	–	–	715,748	10.2299	10.4450	22 March 2013	March 2015 to March 2018	March 2015 to March 2023
	1,097,139	–	–	–	1,097,139	10.2729	9.7213	4 June 2013	March 2015 to March 2018	March 2015 to June 2023
Senior Executives	36,803,889	–	–	–	36,803,889	4.9457	4.9363	5 September 2007	September 2008 to September 2012	September 2008 to September 2017
	3,792,137	(250,000)	–	–	3,542,137	5.1932	5.2127	18 June 2010	June 2012 to June 2015	June 2012 to June 2020
	15,644,206	–	–	1,431,496	17,075,702	10.2299	10.4450	22 March 2013	September 2013 to September 2017	September 2013 to March 2023
	31,922,364	–	–	1,097,139	33,019,503	10.2729	9.7213	4 June 2013	September 2013 to September 2017	September 2013 to June 2023
	17,178,000	–	(2,540,000)	–	14,638,000	10.2514	7.72	29 August 2013	July 2015 to July 2018	July 2015 to August 2023
	7,538,000	–	–	–	7,538,000	10.2514	9.24	15 July 2014	February 2016 to February 2019	February 2016 to July 2024
Total	208,063,668	(250,000)[iii]	(2,540,000)	–	205,273,668[iv]					

(i) Adjusted for the effect of the Company's rights issue completed in July 2013 for the prices prior to the trading of the Company's shares on an ex-rights basis on 6 June 2013 and the Company's rights issue completed in December 2009 for the prices prior to the trading of the Company's shares on an ex-rights basis on 29 October 2009.

(ii) Mr. Graham L. Pickles retired from the Board of Directors with effect from 3 June 2015 and his outstanding share options were reclassified under "Senior Executives".

(iii) The weighted average closing prices of the Company's shares immediately before and at the dates on which these share options were exercised are HK$7.66 and HK$7.73, respectively.

(iv) The number of outstanding share options vested and exercisable at 31 December 2015 was 146,959,674. These share options have a weighted average exercise price of HK$7.37.

(v) The vesting period of the share options is as follows:
 (a) For the 2007 grant, the share options would be vested in five equal tranches from the first to the fifth year after the share options are granted, except for Non-executive Director and Independent Non-executive Director (fully vested from the first year after grant).
 (b) For the 2009 grant, the share options would be vested fully from the first year after the share options are granted.
 (c) For the 2010 grant, the share options would be vested in four tranches (40% from the second year after the share options are granted and 20% each from the third to the fifth year after grant).
 (d) For the 2013 grants, the share options would be vested in five equal tranches in September 2013, September 2014, September 2015, September 2016 and September 2017, except for new recruits (Independent Non-executive Directors: 40% in March 2015 and 20% each in March 2016, March 2017 and March 2018; Senior executives: 40% in July 2015 and 20% each in July 2016, July 2017 and July 2018).
 (e) For the 2014 grant, the share options would be vested in four tranches (40% in February 2016 and 20% each in February 2017, February 2018 and February 2019).

At the AGM held on 24 May 2004, the Company's shareholders approved a share option scheme (the Scheme) under which the Directors may, at their discretion, at any time during the life of the Scheme, grant Directors and executives of the Company's share options as part of the Company's long-term incentive program. The Scheme, which complies with the provisions set out in Chapter 17 of the Listing Rules, became effective on 24 May 2004. The Scheme would be valid for 10 years and expired on 23 May 2014.

The maximum number of shares on which options may be granted may not exceed 10% of the Company's issued share capital as at the date of approval of the Scheme by the shareholders, which equaled to 318,599,300 shares. The maximum number of shares in respect of which options may be granted under the Scheme to any one participant in any 12-month period is limited to 1% of the aggregate number of shares of the Company in issue at the time of the proposed grant of options to such participant.

The exercise price in relation to each share option offer shall be determined by the Directors at their absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the SEHK on the date of grant; (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets of the SEHK for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant. The terms of the Scheme provide that subject to any other restrictions on vesting imposed by the Directors, share options may be exercised under the Scheme at any time from the date of acceptance until the date of expiry. All options presently outstanding under the Scheme are subject to certain restrictions on exercise including a prohibition on exercise for a certain period after the date on which any option is accepted. Share options vest progressively over the vesting period, provided that the relevant grantee remains employed by the Group. Options which lapse or are cancelled prior to their expiry date are deleted from the register of options. After the adoption of the new share option scheme in 2012, no further share options will be granted pursuant to the Scheme before it expires or is terminated.

On 5 September 2007, 121,920,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, based on the binomial model, was HK$2.596 each or an aggregate value of US$40.6 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2009 and 2013 rights issues)	HK$5.33 per share(i)
Exercise price (before adjusting for the effect of the Company's 2009 and 2013 rights issues)	HK$5.33 per share(i)
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	1% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	4.40% per annum

Taking into account the expected turnover rate of the Directors and senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.6 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

(i) HK$4.9457 after adjusting for the effect of the Company's rights issues in 2009 and 2013

On 11 December 2009, 6,660,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Watson Wyatt Hong Kong Limited, a Towers Watson company, based on the binomial model, was HK$1.935 each or an aggregate value of US$1.7 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2013 rights issue)	HK$4.61 per share(ii)
Exercise price (before adjusting for the effect of the Company's 2013 rights issues)	HK$5.0569 per share(iii)
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	2% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	2.20% per annum

Taking into account the expected turnover rate of the Directors and the early exercise behavior, the average expected life of the options granted was estimated to be around 8 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 250% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

On 18 June 2010, 5,400,000 share options under the Company's Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.28 each or an aggregate value of US$1.6 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2013 rights issue)	HK$5.31 per share(iv)
Exercise price (before adjusting for the effect of the Company's 2013 rights issue)	HK$5.31 per share(iv)
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	45%
Option life	10 years
Expected dividend yield	2% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	2.3% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 8 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 250% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

(ii) HK$4.5086 after adjusting for the effect of the Company's rights issue in 2013
(iii) HK$4.9457 after adjusting for the effect of the Company's rights issue in 2013
(iv) HK$5.1932 after adjusting for the effect of the Company's rights issue in 2013

At the AGM held on 31 May 2012, the Company's shareholders approved a new share option scheme (the New Scheme) under which the Directors may, at their discretion, at any time during the life of the New Scheme, grant Directors and executives of the Company's share options as part of the Company's long-term incentive program. The New Scheme, which complies with the provisions set out in Chapter 17 of the Listing Rules, became effective on 31 May 2012. The New Scheme will be valid for 10 years and will expire on 30 May 2022.

The maximum number of shares on which options may be granted may not exceed 10% of the Company's issued share capital as at the date of approval of the New Scheme by the shareholders, which equaled to 382,827,354 shares. The maximum number of shares in respect of which options may be granted under the New Scheme to any one participant in any 12-month period is limited to 1% of the aggregate number of shares of the Company in issue at the time of the proposed grant of options to such participant.

The exercise price in relation to each share option offer shall be determined by the Directors at their absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the SEHK on the date of grant; (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets of the SEHK for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant. The terms of the New Scheme provide that subject to any other restrictions on vesting imposed by the Directors, share options may be exercised under the New Scheme at any time from the date of acceptance until the date of expiry. Any options granted under the New Scheme are subject to certain restrictions on exercise including a prohibition on exercise for a certain period after the date on which any option is accepted. Share options vest progressively over the vesting period, provided that the relevant grantee remains employed by the Group. Options which lapse or are cancelled prior to their expiry date are deleted from the register of options.

On 22 March 2013, 40,300,000 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$3.04 each or an aggregate value of US$15.7 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2013 rights issue)	HK$10.46 per share[v]
Exercise price (before adjusting for the effect of the Company's 2013 rights issue)	HK$10.46 per share[v]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	0.7% per annum

Taking into account the expected turnover rate of the Directors and senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 6.6 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

On 4 June 2013, 54,900,000 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.94 each or an aggregate value of US$20.7 million for all options granted. The assumptions used were as follows:

Share price at the date of grant (before adjusting for the effect of the Company's 2013 rights issue)	HK$10.22 per share[vi]
Exercise price (before adjusting for the effect of the Company's 2013 rights issue)	HK$10.504 per share[vii]
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.0% per annum

Taking into account the expected turnover rate of the Directors and senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 6.6 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

(v) HK$10.2299 after adjusting for the effect of the Company's rights issue in 2013
(vi) HK$9.9951 after adjusting for the effect of the Company's rights issue in 2013
(vii) HK$10.2729 after adjusting for the effect of the Company's rights issue in 2013

On 29 August 2013, 5,828,234 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.22 each or an aggregate value of US$1.7 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$8.11 per share
Exercise price	HK$10.2299 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.9% per annum

Taking into account the expected turnover rate of the Directors and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.3 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

On 29 August 2013, 17,178,000 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.36 each or an aggregate value of US$5.2 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$8.11 per share
Exercise price	HK$10.2514 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	38%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.9% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.3 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

On 15 July 2014, 7,538,000 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$2.49 each or an aggregate value of US$2.4 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$9.23 per share
Exercise price	HK$10.2514 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	37%
Option life	10 years
Expected dividend yield	2.7% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.7% per annum

Taking into account the expected turnover rate of the senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 7.0 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

On 15 April 2016, 2,524,350 share options under the Company's New Scheme were granted. The average fair value of options granted as calculated by Towers Watson Hong Kong Limited, based on the binomial model, was HK$1.05 each or an aggregate value of US$0.3 million for all options granted. The assumptions used were as follows:

Share price at the date of grant	HK$4.95 per share
Exercise price	HK$4.972 per share
Expected volatility (based on historical volatility of the Company's shares commensurate with the average expected life of the options granted)	29%
Option life	6 years
Expected dividend yield	2.4% per annum
Average risk-free interest rate (based on the Hong Kong Exchange Fund Notes)	1.0% per annum

Taking into account the expected turnover rate of the Directors and senior executives and the early exercise behavior, the average expected life of the options granted was estimated to be around 5 years. The early exercise behavior assumes that option holders will exercise the options when the share price is at least 150% higher than the exercise price. No other feature of the option granted was incorporated into the measurement of fair value.

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

At the date of approval of the Consolidated Financial Statements, the Company had 177,934,926 share options outstanding under the schemes, which represented approximately 4.2% of the Company's shares in issue as at that date.

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

(b) Particulars of MPIC's Share Option Scheme

	Share options held at 1 January 2016	Share options exercised during the year	**Share options held at 31 December 2016**	Share option exercise price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iii]	Exercisable period
Executive Directors								
Manuel V. Pangilinan	6,250,000	(4,250,000)	**2,000,000**	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Edward A. Tortorici	5,000,000	–	**5,000,000**	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Robert C. Nicholson	5,000,000	–	**5,000,000**	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Senior Executives	102,750,000	(38,225,000)	**64,525,000**	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Total	119,000,000	(42,475,000)[i]	**76,525,000**[ii]					

(i) The weighted average closing prices of MPIC's shares immediately before and at the dates on which these share options were exercised are Pesos 6.20 and Pesos 6.20, respectively.
(ii) The number of outstanding share options vested and exercisable at 31 December 2016 was 76,525,000. These share options have a weighted average exercise price of Pesos 4.60.
(iii) For the 2013 grant, the share options would be vested in two equal tranches from the first to the second year after the share options are granted.

	Share options held at 1 January 2015	Share options exercised during the year	Share options expired during the year	Share options held at 31 December 2015	Share option exercise price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iii]	Exercisable period
Executive Directors									
Manuel V. Pangilinan	6,250,000	–	–	6,250,000	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Edward A. Tortorici	5,000,000	–	–	5,000,000	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Robert C. Nicholson	10,000,000	(10,000,000)	–	–	2.73	2.65	–	–	–
	5,000,000	–	–	5,000,000	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Senior Executives	18,060,000	(12,825,000)	(5,235,000)	–	2.73	2.65	–	–	–
	3,500,000	(3,500,000)	–	–	3.50	3.47	–	–	–
	778,000	(778,000)	–	–	3.66	3.66	–	–	–
	102,750,000	–	–	102,750,000	4.60	4.59	14 October 2013	October 2014 to October 2015	October 2014 to October 2018
Total	151,338,000	(27,103,000)[i]	(5,235,000)	119,000,000[ii]					

(i) The weighted average closing prices of MPIC's shares immediately before and at the dates on which these share options were exercised are Pesos 4.94 and Pesos 4.88, respectively.
(ii) The number of outstanding share options vested and exercisable at 31 December 2015 was 119,000,000. These share options have a weighted average exercise price of Pesos 4.60.
(iii) For the 2013 grant, the share options would be vested in two equal tranches from the first to the second year after the share options are granted.

At the AGM held on 1 June 2007, the Company's shareholders approved a share option scheme under which MPIC's directors may, at their discretion, invite executives of MPIC upon the regularization of employment of eligible executives, to take up share options of MPIC to obtain an ownership interest in MPIC and for the purpose of long-term employment motivation. The scheme was subsequently approved by MPIC's shareholders and became effective on 14 June 2007 and would be valid for 10 years. At a special shareholders' meeting of MPIC held on 20 February 2009, MPIC's shareholders approved the amendments to MPIC's share option scheme which include (i) a refreshment of the number of MPIC options that may be granted to take into account the increase in the capital stock of MPIC or other changes to its capital structure which have either been approved by the shareholders, implemented, in progress, or which may potentially be approved or implemented in the future; and (ii) the inclusion in MPIC's share option plan of a requirement for MPIC to comply with the relevant corporate requirements and regulations applicable to MPIC's parent company. The amendments and the maximum number of MPIC's share options of 941,676,681 (representing 10% of MPIC's shares in issue at the date of approval of the proposed refreshment) were subsequently approved by the Company's shareholders in the AGM held on 3 June 2009.

The maximum number of shares on which options may be granted under the scheme may not exceed 10% of the issued share capital of MPIC at 1 June 2007 (subsequently refreshed to a maximum number of 941,676,681 during 2009 as mentioned above), the date on which the MPIC's share option scheme was approved by the Company's shareholders at the AGM held on 1 June 2007. The aggregate number of shares which may be issued upon exercise of the options granted and to be granted to any eligible participant (whether or not already an option holder) in any 12-month period shall not exceed 1% of the shares in issue at the relevant time.

The exercise price in relation to each option granted under the scheme shall be determined by MPIC's directors at their absolute discretion, but in any event shall not be less than (i) the closing price of MPIC's shares for one or more board lots of such MPIC's shares on the PSE on the option grant date; (ii) the average closing price of MPIC's shares for one or more board lots of such MPIC's shares on the PSE for the five business days on which dealings in the MPIC's shares are made immediately preceding the option grant date; or (iii) the par value of the MPIC's shares, whichever is the highest.

On 14 October 2013, 120,000,000 share options under MPIC's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.76 each or an aggregate value of Pesos 91.4 million (US$2.1 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 4.59 per share
Exercise price	Pesos 4.60 per share
Expected volatility (based on historical volatility of MPIC's shares commensurate with the average expected life of the options granted)	34%
Option life	5 years
Expected dividend yield	0.76%
Average risk-free interest rate (based on the Philippine government zero coupon bond)	1.53% per annum

(c) Particulars of RHI's Share Option Scheme

	Share options held at 1 January 2016	Share options exercised during the year	Share options forfeited during the year	**Share options held at 31 December 2016**	Share option exercised price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period(iii)	Exercisable period
Executive Director									
Manuel V. Pangilinan	500,000	–	–	**500,000**	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Senior Executives	20,918,717	(3,231,508)	(2,585,833)	**15,101,376**	2.49	2.66	29 July 2013	July 2014 to July 2018	July 2014 to July 2018
	2,646,729	–	(2,646,729)	**–**	2.49	5.31	–	–	–
	34,490,274	(317,303)	(10,212,139)	**23,960,832**	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Total	58,555,720	(3,548,811)(i)	(15,444,701)	**39,562,208(ii)**					

(i) The weighted average closing prices of RHI's shares immediately before and at the dates on which these share options were exercised are Pesos 4.65 and Pesos 4.65, respectively.

(ii) The number of outstanding share options vested and exercisable at 31 December 2016 was 15,440,891. The share options have a weighted average exercise price of Pesos 3.65.

(iii) The vesting period of the share options is as follows:

(a) For the 2013 grant, the share options would be vested in five equal tranches from the first to the fifth year after the share options are granted.

(b) For the 2014 grant, the share options would be vested in five equal tranches from the first to the fifth year after the share options are granted.

	Share options held at 27 February 2015 (the date of acquisition)	Share options exercised during the period	Share options forfeited during the period	Share options held at 31 December 2015	Share option exercised price per share (Peso)	Market price per share immediately before the date of grant (Peso)	Grant date	Vesting period[iii]	Exercisable period
Executive Director									
Manuel V. Pangilinan	500,000	–	–	500,000	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Senior Executives	21,846,906	(162,951)	(765,238)	20,918,717	2.49	2.66	29 July 2013	July 2014 to July 2018	July 2014 to July 2018
	2,646,729	–	–	2,646,729	2.49	5.31	2 January 2014	January 2015 to January 2019	January 2015 to January 2019
	38,308,567	–	(3,818,293)	34,490,274	5.32	7.09	30 April 2014	April 2015 to April 2019	April 2015 to April 2019
Total	63,302,202	(162,951)[i]	(4,583,531)	58,555,720[ii]					

(i) The weighted average closing prices of RHI's shares immediately before and at the dates on which these share options were exercised are Pesos 5.39 and Pesos 5.39, respectively.
(ii) The number of outstanding share options vested and exercisable at 31 December 2015 was 16,102,067. The share options have a weighted average exercise price of Pesos 4.18.
(iii) The vesting period of the share options is as follows:
  (a) For the 2013 grant, the share options would be vested in five equal tranches from the first to the fifth year after the share options are granted.
  (b) For the 2014 grants, the share options would be vested in five equal tranches from the first to the fifth year after the share options are granted.

The RHI employee share option schemes were approved on 8 May 2013 and 16 January 2014 as long-term incentive plans for the employees of RHI and its subsidiary companies based on individual performance.

On 29 July 2013, 24,621,494 share options under RHI's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Peso 0.90 each or an aggregate value of Pesos 22.2 million (US$0.5 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 2.80 per share
Exercise price	Pesos 2.49 per share
Expected volatility (based on historical volatility of RHI's shares commensurate with the average expected life of the options granted)	39%
Option life	5 years
Expected dividend yield	1.97%
Average risk-free interest rate (based on the Philippine Government zero coupon bonds)	3.23% per annum

On 30 April 2014, 38,808,567 share options under RHI's scheme were granted. The average fair value of options granted, as calculated based on the Black-Scholes-Merton formula, was Pesos 3.00 each or an aggregate value of Pesos 116.4 million (US$2.6 million) for all options granted. The assumptions used were as follows:

Share price at the date of grant	Pesos 6.90 per share
Exercise price	Pesos 5.32 per share
Expected volatility (based on historical volatility of RHI's shares commensurate with the average expected life of the options granted)	38%
Option life	5 years
Expected dividend yield	0.00%
Average risk-free interest rate (based on the Philippine Government zero coupon bonds)	3.22% per annum

(E) Restricted Stock Unit Plan

Particulars of MPIC's Restricted Stock Unit Plan

	Shares granted during the year and unvested at 31 December 2016	Grant date	Vesting period(i)
Executive Directors			
Manuel V. Pangilinan	**2,500,000**	14 July 2016	December 2018
Robert C. Nicholson	**600,000**	14 July 2016	December 2018
Non-executive Director			
Ambassador Albert F. del Rosario	**600,000**	14 July 2016	December 2018
Senior Executives	**23,700,000**	14 July 2016	December 2018
Total	**27,400,000**		

(i) The awarded shares would be fully vested in December 2018.

On 14 July 2016, the Compensation Committee of MPIC approved a Restricted Stock Unit Plan (RSUP) as part of MPIC's LTIP. The RSUP, which has a validity period of 10 years, replaced MPIC's share option scheme, which will expire in 2018.

The RSUP is designed, among others, to reward the directors and certain key officers of MPIC who contribute to its growth to stay with MPIC for the long term. Under the RSUP, which shall have a first cycle of three years starting 2016, MPIC, at its cost will repurchase MPIC common shares to be held as treasury shares and reserved to be transferred to the directors and key officers determined by MPIC's Compensation Committee to be eligible to participate under the RSUP. Vested shares will be transferred in the name of the eligible participants on full vesting date, at no cost as provided the under the RSUP.

The RSUP also limits the aggregate number of shares that may be subject to award to no more than three percent of the outstanding common shares of MPIC. For the first 3-year cycle (i.e., 2016 to 2018), MPIC will purchase up to 27.4 million common shares at such time and under such terms and conditions as MPIC's Compensation Committee may determine. In September 2016, MPIC purchased 24.0 million of its common shares at a total cost of Pesos 167 million (US$3.5 million) for this purpose.

A total of 27.4 million shares under the RSUP were granted for the LTIP cycle 2016 to 2018. The value of the share award was determined based on its fair value of Pesos 7.15 per share on the date of grant.

39. Related Party Transactions

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

(A) On 30 May 2016, MPIC acquired from PCEV, a subsidiary of PLDT, an additional 25.0% interest in Beacon Electric's common shares (Pesos 20.4 billion or US$427.9 million) and preferred shares (Pesos 5.8 billion or US$121.7 million) at a total consideration of Pesos 26.2 billion (US$549.6 million), of which Pesos 17.0 billion (US$356.6 million) was settled in cash in May 2016. The outstanding payable of Pesos 9.2 billion (US$193.0 million) will be settled in annual installments until June 2020. At 31 December 2016, the outstanding consideration payable due in June 2017 of Pesos 2.0 billion (US$40.2 million) (with a present value of US$32.7 million) was included in the current portion of deferred liabilities, provisions and payables (Note 29) and the remaining outstanding consideration due between June 2018 to June 2020 of Pesos 7.2 billion (US$144.8 million) (with a present value of US$135.3 million) was included in the non-current portion of deferred liabilities, provisions and payables (Note 29).

(B) In March 2013, Meralco PowerGen, through its wholly-owned subsidiary company, MPG Asia Limited, provided a loan of US$110.0 million to FPM Power. In June 2014, MPG Asia Limited provided an additional loan of US$3.5 million to FPM Power. The loans are unsecured, interest-free and have no fixed terms of repayment. The loans of US$113.5 million (2015: US$113.5 million) remained outstanding at 31 December 2016 and are included in the current portion of deferred liabilities, provisions and payables (Note 29).

(C) At 31 December 2016, Petronas Power Sdn. Bhd. (Petronas), the 30% shareholder of PLP, has outstanding loans due from PLP of approximately US$117.3 million (2015: US$110.5 million), which have been included in non-current deferred liabilities, provisions and payables (Note 29). The loans are unsecured, subject to a variable Singapore Swap Offer Rate for the portion denominated in S$ and London Interbank Offered Rate for the portion denominated in U.S. dollars, which are payable semi-annually. The tenor for each loan shall be 10 years. For the year ended 31 December 2016, PLP accrued interest expenses of US$8.3 million (2015: US$7.2 million) to Petronas, which were compounded as part of the outstanding loans from Petronas. At 31 December 2016, PLP has approximately US$47,160 (2015: US$22,512) of outstanding interest payable due to Petronas which has been included in accounts payable, other payables and accruals.

(D) Asia Link B.V. (ALBV), a wholly-owned subsidiary company of the Company, has 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 2012, subject to renewal upon mutual agreement between the parties. The agreement expired on 23 February 2016 and was renewed for a period of two years to 23 February 2018. The agreement provides for payments of technical service fees equivalent to 0.4% (2015: 0.4%) of the consolidated net revenue of Smart.

For the year ended 31 December 2016, the fees under the above arrangement amounted to Pesos 183 million (US$3.8 million) (2015: Pesos 203 million or US$4.5 million). At 31 December 2016, no (2015: Pesos 46 million or US$1.0 million) technical service fee remained outstanding payable.

(E) In December 2014, ALBV entered into a subscription agreement with SMECI, a wholly-owned subsidiary company of Philex, in respect of the subscription for the convertible notes issued by SMECI with a principal amount of Pesos 5.04 billion (US$101.4 million) (out of the total Pesos 7.2 billion (US$153.0 million) convertible notes issued by SMECI), principally for financing capital expenditure of the Silangan project and repaying the advances from Philex. The convertible notes bear interest at a coupon rate of 1.5%, payable semi-annually every 18 June and 18 December and has a maturity of 8 years, with a one-time redemption option exercisable by SMECI on the first anniversary of the issuance of the notes (i.e., 18 December 2015). A redemption premium, payable at a rate of 3% per annum, retroactively from the issue date and compounded semi-annually, will apply if SMECI exercises the redemption option or upon the maturity of the convertible notes. SMECI did not exercise the one-time redemption option on 18 December 2015. During 2016, ALBV accrued interest income of US$4.7 million (2015: US$4.7 million) on these notes.

(F) First Pacific Management Services Limited (FPMSL), a wholly-owned subsidiary company of the Company, has a service agreement with Goodman Fielder for FPMSL to provide Goodman Fielder with management, advisory and financial services with effect from 17 March 2015 and subject to an annual review on the terms and conditions by the end of each reporting period between the parties.

For the year ended 31 December 2016, the fees under the above arrangement amounted to A$0.9 million (US$0.7 million) (2015: A$0.9 million (US$0.6 million)). At 31 December 2016, FPMSL had approximately A$0.2 million (US$0.1 million) (2015: A$0.1 million (US$0.1 million)) of outstanding service fees receivable from Goodman Fielder which has been included in accounts receivable, other receivables and prepayments.

(G) At 31 December 2016, Mr. Robert C. Nicholson, a Director of the Company, owned US$400,000 (2015: US$400,000) of bonds due 2017 issued by FPMH Finance Limited, US$600,000 (2015: US$600,000) of bonds due 2019 issued by FPC Finance Limited and US$200,000 (2015: US$200,000) of bonds due 2020 issued by FPT Finance Limited, all of which are wholly-owned subsidiary companies of the Company. For the year ended 31 December 2016, Mr. Nicholson earned interest income of US$78,250 (2015: US$78,250) on these bonds.

(H) At 31 December 2016, Mr. Edward A. Tortorici, a Director of the Company, owned US$600,000 (2015: US$600,000) of bonds due 2019 issued by FPC Finance Limited, a wholly-owned subsidiary company of the Company. For the year ended 31 December 2016, Mr. Tortorici earned interest income of US$36,000 (2015: US$36,000) on these bonds.

(I) At 31 December 2016, Ambassador Albert F. del Rosario, who has been re-appointed as a Director of the Company with effect from 30 June 2016, owned US$200,000 of bonds due 2019 issued by FPC Finance Limited and US$200,000 of bonds due 2020 issued by FPT Finance Limited, both of which are wholly-owned subsidiary companies of the Company. For the period from 30 June 2016 to 31 December 2016, Ambassador Albert F. del Rosario earned interest income of US$12,375 on these bonds.

(J) In the ordinary course of business, Indofood has engaged in trade transactions with certain of its associated companies, joint ventures and affiliated companies under certain framework agreements which are related to the Salim Family either through its control or joint control. Mr. Anthoni Salim is the Chairman and a substantial shareholder of the Company and is the President Director and Chief Executive Officer of Indofood.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2016**	2015
Income Statement Items		
Sales of finished goods		
– to associated companies and joint ventures	**58.8**	50.9
– to affiliated companies	**98.7**	96.7
Purchases of raw materials		
– from associated companies and joint ventures	**204.2**	163.0
Management and technical services fee income and royalty income		
– from associated companies and joint ventures	**2.7**	2.5
– from affiliated companies	**8.9**	15.1
Rental income		
– from associated companies and joint ventures	**0.1**	0.2
Insurance expenses		
– to affiliated companies	**11.1**	11.5
Rental expenses		
– to associated companies and joint ventures	**0.1**	0.1
– to affiliated companies	**3.8**	3.2
Transportation, pump services and employee expenses		
– to affiliated companies	**0.9**	0.6

Approximately 3% (2015: 3%) of Indofood's sales and 6% (2015: 5%) of its purchases were transacted with these related parties.

Nature of Balances

At 31 December US$ million	**2016**	2015
Statement of Financial Position Items		
Accounts receivable – trade		
– from associated companies and joint ventures	**7.7**	5.0
– from affiliated companies	**13.7**	12.2
Accounts receivable – non-trade		
– from associated companies and joint ventures	**5.2**	3.1
– from affiliated companies	**17.9**	23.2
Accounts payable – trade		
– to associated companies and joint ventures	**17.2**	16.9
– to affiliated companies	**1.1**	1.0
Accounts payable – non-trade		
– to associated companies and joint ventures	**0.2**	0.2
– to affiliated companies	**40.4**	24.6

Certain of the above Indofood's related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed in the Corporate Governance Report on pages 77 to 84.

(K) In January 2015, MPIC's subsidiary company, Maynilad renewed (i) the framework agreement with Consunji, a subsidiary company of DMCI (a 27.2% shareholder of MWHC, Maynilad's parent company) for the period from 13 January 2015 to 31 December 2017 on substantially the same terms as the previous framework agreement in relation to the provision of engineering, procurement and construction services by Consunji to Maynilad and (ii) the lease agreement with DMCIPD, a subsidiary company of DMCI, for the renting of certain premises in Makati City by DMCIPD to Maynilad for the period from 1 February 2015 to 31 January 2018. For the year ended 31 December 2016, Maynilad entered into certain construction contracts with DMCI group for the latter's construction of water infrastructure for Maynilad. These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed in the Corporate Governance Report on pages 84 and 85.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2016**	2015
Capital Expenditure Items		
Construction services for water infrastructure	**27.0**	36.8
Income Statement Items		
Rental expenses	**0.1**	0.1

(L) For the year ended 31 December 2016, MPIC's subsidiary company, NLEX Corporation, collected toll fees through TMC, an associated company of MPIC.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2016**	2015
Income Statement Items		
Operator's fees	**42.0**	38.2
Management income	**1.2**	1.2

Nature of Balances

At 31 December US$ millions	**2016**	2015
Statement of Financial Position Items		
Accounts receivable – trade	**0.8**	2.3
Accounts payable – trade	**6.8**	10.2

(M) For the year ended 31 December 2016, MPIC and its subsidiary companies were charged for electricity expenses by Meralco, an associated company of the Group.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2016**	2015
Income Statement Items		
Electricity expenses	**21.8**	21.5

Nature of Balances

At 31 December US$ millions	**2016**	2015
Statement of Financial Position Items		
Accounts payable – trade	**0.2**	0.3

(N) For the year ended 31 December 2016, MPIC was entitled to dividend income on preferred shares from Beacon Electric, a joint venture of the Group. In March 2010, MPIC subscribed Pesos 8.0 billion (US$161.1 million) of Beacon Electric's preferred shares and extended non-interest-bearing cash advances to Beacon Electric of Pesos 756 million (US$15.2 million), for which Pesos 144 million (US$2.9 million) was repaid in 2016 and Pesos 612 million (US$12.3 million) remained outstanding at 31 December 2016. In June 2012, MPIC acquired approximately Pesos 3.6 billion (US$71.7 million) of Beacon Electric's preferred shares from PCEV. In May 2016, MPIC subscribed Pesos 3.5 billion (US$70.4 million) of Beacon Electric's preferred shares and acquired Pesos 5.8 billion (US$116.7 million) (with a book value amount, which reflected the effect of discounting, of Pesos 5.5 billion or US$111.6 million) of Beacon Electric's preferred shares from PCEV (Note 39(C)).

On 17 April 2015, MPIC acquired an additional 10% interest in Meralco from Beacon Electric at an aggregation consideration of Pesos 26.5 billion (US$581.0 million), of which Pesos 18.0 billion (US$394.7 million) was settled in cash in April and June 2015. The outstanding payable of Pesos 8.5 billion (US$179.6 million) was included in the accounts payable, other payables and accruals in the consolidated statement of financial position at 31 December 2015 and settled during 2016 (Note 35(J)).

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

Nature of Transactions

For the year ended 31 December US$ millions	**2016**	2015
Income Statement Items		
Preferred share dividend income	**25.5**	8.9

Nature of Balances

At 31 December US$ millions	**2016**	2015
Statement of Financial Position Items		
Associated companies and joint ventures		
– Preferred shares, at cost	**414.8**	245.9
– Amounts due from associated companies and joint ventures	**12.3**	16.1
– Accounts payable, other payables and accruals	**–**	179.6

(O) For the year ended 31 December 2016, MPIC and its subsidiary companies had the following transactions with PLDT, an associated company of the Group.

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

Nature of Transactions

For the year ended 31 December US$ millions	**2016**	2015
Income Statement Items		
Income from advertising	**0.9**	1.6
Voice and data service expenses	**1.6**	1.6
Rental expenses	**0.3**	0.3

Nature of Balances

At 31 December US$ millions	2016	2015
Statement of Financial Position Items		
Accounts receivable – trade	**0.9**	0.6
Accounts payable – trade	**1.5**	1.6

(P) For the year ended 31 December 2016, NLEX Corporation had the following transactions with Easytrip Services Corporation (ESC), a joint venture of the Group.

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

Nature of Transactions

For the year ended 31 December US$ millions	2016	2015
Income Statement Items		
Service expenses	**1.5**	1.6

Nature of Balances

At 31 December US$ millions	2016	2015
Statement of Financial Position Items		
Accounts receivable – trade	**4.9**	4.9
Accounts payable – trade	**1.8**	1.3

(Q) For the year ended 31 December 2016, MPIC and its subsidiary companies had the following transactions with Indra, an associated company of the Group.

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

Nature of Transactions

For the year ended 31 December US$ millions	2016	2015
Income Statement Items		
Service expenses	**5.2**	7.3

Nature of Balances

At 31 December US$ millions	2016	2015
Statement of Financial Position Items		
Accounts payable – trade	**0.4**	0.4

(R) For the year ended 31 December 2016, MPIC and its subsidiary companies had the following transactions with Landco, a joint venture of the Group.

Nature of Transactions

For the year ended 31 December US$ millions	**2016**	2015
Statement of Financial Position Items		
Amounts due from associated companies and joint ventures	**10.2**	7.7

40. Financial Instruments by Category and Fair Value Hierarchy

(A) Financial Instruments by Category

(a) Financial Assets

The following table summarizes the Group's financial assets at the end of the reporting period.

US$ million	**2016** **Loans and receivables**	**Available-for-sale financial assets**	**Financial assets at fair value**	**Total**	2015 Loans and receivables	Available-for-sale financial assets	Financial assets at fair value	Total
Accounts and other receivables (Non-current)	**129.9**[(i)]	**–**	**4.6**	**134.5**	125.7[(i)]	–	7.0	132.7
Available-for-sale assets (Non-current)	**–**	**726.7**[(ii)]	**–**	**726.7**	–	290.0[(ii)]	–	290.0
Pledged deposits and restricted cash (Non-current)	**17.9**	**–**	**–**	**17.9**	30.0	–	–	30.0
Other non-current assets	**79.2**	**–**	**–**	**79.2**	57.0	–	–	57.0
Cash and cash equivalents and short-term deposits	**1,691.9**	**–**	**–**	**1,691.9**	1,612.3	–	–	1,612.3
Pledges deposits and restricted cash (Current)	**60.6**	**–**	**–**	**60.6**	51.7	–	–	51.7
Available-for-sale assets (Current)	**–**	**39.9**	**–**	**39.9**	–	124.8	–	124.8
Accounts and other receivables (Current)	**757.0**	**–**	**32.3**	**789.3**	702.2	–	18.0	720.2
Total	**2,736.5**	**766.6**	**36.9**[(iii)]	**3,540.0**	2,578.9	414.8	25.0[(iii)]	3,018.7

(i) Includes amounts due from associated companies and joint ventures of US$123.9 million (2015: US$123.9 million)
(ii) Includes preferred shares issued by Beacon Electric of US$414.8 million (2015: US$245.9 million)
(iii) Represents derivative assets designated as hedge items

(b) Financial Liabilities

The following table summarizes the financial liabilities measured at amortized cost at the end of the reporting period.

US$ million	2016 Financial liabilities at amortized cost	2016 Financial liabilities at fair value	2016 Total	2015 Financial liabilities at amortized cost	2015 Financial liabilities at fair value	2015 Total
Accounts payable, other payables and accruals	**870.9**	**–**	**870.9**	1,031.6	–	1,031.6
Short-term borrowings	**1,280.7**	**–**	**1,280.7**	998.6	–	998.6
Current portion of deferred liabilities, provisions and payables	**17.6**	**9.6**	**27.2**	13.3	68.9	82.2
Long-term borrowings	**4,827.7**	**–**	**4,827.7**	5,363.3	–	5,363.3
Deferred liabilities, provisions and payables	**720.8**	**0.4**	**721.2**	579.9	6.6	586.5
Total	**7,717.7**	**10.0**(i)	**7,727.7**	7,986.7	75.5(i)	8,062.2

(i) Represents derivative liabilities designated as hedge items

The fair values of the financial assets and liabilities are determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Fair values of cash and cash equivalents and short-term deposits, pledged deposits, restricted cash, current accounts and other receivables, accounts payable, other payables and accruals, short-term borrowings and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

- Fair values of non-current accounts and other receivables and other assets are evaluated based on the discounted values of the expected future cash flows using the interest rates that are specific to the tenor of the instruments' cash flows.

- Fair value of listed available-for-sale assets is derived from quoted market prices in active markets.

- Fair value of unquoted available-for-sale assets is measured by discounted cash flow models or by reference to the most recent transaction prices or carried at cost less any accumulated impairment losses.

- Long-term borrowings with fixed interest rates and other non-current financial liabilities are evaluated based on the discounted value of the expected future cash flows using the prevailing market rates for similar types of liabilities. Fair values of long-term borrowings with variable interest rates approximate to their carrying amounts because of regular repricing based on market conditions. Fair values of listed bonds are derived from quoted market prices in active markets.

- Derivative assets/liabilities in respect of derivative financial instruments, such as fuel swaps, foreign exchange forward contracts and interest rate swaps, are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include the use of present value calculations of future cash flows by reference to current forward fuel prices and exchange rates for contracts with similar maturity profiles and market values for similar instruments with similar maturity profiles.

The following table shows a comparison between the carrying amounts and fair values of the Group's financial instruments with carrying amounts not equal or reasonably approximating to their fair values at the end of the reporting period. The Group's financial instruments with carrying amounts equal or reasonably approximating to their fair values and unquoted available-for-sale assets that are measured at cost less any accumulated impairment losses at the end of the reporting period are not included in this table.

US$ millions	**At 31 December 2016** Carrying amount	Fair Value	At 31 December 2015 Carrying amount	Fair value
Financial Liabilities				
Long-term borrowings	**4,827.7**	**5,101.5**	5,363.3	5,434.6
Deferred liabilities, provisions and payables (Non-current)	**720.8**	**748.8**	657.6	691.1
Net Amount	**5,548.5**	**5,850.3**	6,020.9	6,125.7

(B) Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair values that are not based on observable market data (unobservable inputs)

The Group held the following financial instruments measured at fair value as at the end of the reporting period:

US$ million	**2016** Level 1	**Level 2**	**Level 3**	**Total**	2015 Level 1	Level 2	Level 3	Total
Available-for-sale assets								
– Listed equity investments	**102.6**	**–**	**–**	**102.6**	121.2	–	–	121.2
– Listed debentures	**27.3**	**–**	**–**	**27.3**	36.2	–	–	36.2
– Unlisted exchangeable bonds	**–**	**163.1**	**–**	**163.1**	–	–	–	–
– Unlisted investments	**–**	**46.5**	**–**	**46.5**	–	2.0	–	2.0
Derivative assets(i)	**0.1**	**36.8**	**–**	**36.9**	–	25.0	–	25.0
Derivative liabilities(ii)	**(0.6)**	**(9.4)**	**–**	**(10.0)**	–	(75.5)	–	(75.5)
Net Amount	**129.4**	**237.0**	**–**	**366.4**	157.4	(48.5)	–	108.9

(i) Included within accounts receivable, other receivables and prepayments
(ii) Included within deferred liabilities, provisions and payables

The fair values of unlisted investments, derivative assets and derivative liabilities in Level 2 are measured by reference to the most recent transaction prices and using the valuation techniques as described in Note 40(A) to the Consolidated Financial Statements, respectively.

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the year, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

41. Capital and Financial Risk Management

(A) Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to ensure that it maintains an optimal capital structure for supporting the stability and growth of its business and maximizing shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group's policy is to keep the gearing ratio at an optimal level which supports its business. The Group's net debt includes short-term borrowings and long-term borrowings, less cash and cash equivalents and short-term deposits and pledged deposits and restricted cash. The total equity includes equity attributable to owners of the parent and non-controlling interests.

US$ millions	**2016**	2015 (Restated)
Short-term borrowings	**1,280.7**	998.6
Long-term borrowings	**4,827.7**	5,363.3
Less: Cash and cash equivalents and short-term deposits	**(1,691.9)**	(1,612.3)
Less: Pledged deposits and restricted cash	**(78.5)**	(81.7)
Net debt	**4,338.0**	4,667.9
Equity attributable to owners of the parent	**3,112.0**	3,070.2
Non-controlling interests	**4,922.3**	4,264.2
Total equity	**8,034.3**	7,334.4
Gearing ratio (times)	**0.54**	0.64

(B) Financial Risk Management

The Group's principal financial instruments include various financial assets (which comprise accounts receivable, other receivables, available-for-sale assets, cash and cash equivalents, pledged deposits and restricted cash) and financial liabilities (which comprise accounts payable, other payables and accruals, short-term borrowings, long-term borrowings and deferred liabilities and provisions). The main purpose of the cash and cash equivalents, and short-term and long-term borrowings is to finance the Group's operations and investments. The other financial assets and liabilities, such as accounts receivable and accounts payable, mainly arise directly from its operations.

The Group also issues fixed interest rate bonds, arranges borrowings in local currencies and enters into derivative transactions, including principally fuel swaps, foreign currency swaps, foreign currency forwards, interest rate swaps and electricity futures. The purpose is to manage the price, currency and interest rate risks arising from the Group's operations and investments and its sources of finance.

The fuel swaps are used to manage the risk arising from fluctuations in fuel costs. Under the fuel swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate amounts calculated by reference to the agreed notional purchase quantity. The fair value of fuel swaps is calculated by reference to current forward fuel prices for contracts with similar maturity profiles.

The foreign currency swaps and foreign currency forwards are used to manage the risk arising from fluctuations in foreign exchange rates. Under foreign currency swaps, the Group agrees with other parties to exchange, at specified intervals, the foreign currency amounts at the agreed exchange rates. The fair value of foreign currency swaps is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Under the foreign currency forwards, the Group agrees with other parties to exchange, at the maturity date the foreign currency amounts at the agreed exchange rates. The fair value of foreign currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The interest rate swaps are used to manage the risk arising from fluctuations in interest rates. Under the interest rate swaps, the Group agrees with other parties to exchange at the maturity date the difference between the fixed interest rates and floating interest rate of the notional amount. The fair value of interest rate swap contracts is determined by reference to forward interest rates for similar instruments with similar maturity profiles.

The electricity futures are used to manage the risk arising from fluctuations in prices of electricity. Under the electricity futures, the Group agrees with other parties to exchange, at the maturity date the difference between the fixed rate and floating rate of electricity prices calculated by reference to the agreed notional quantity, clearing through Singapore Exchange Securities Trading Limited (SGX). The fair value of electricity futures is calculated by reference to Uniform Singapore Energy Price quarterly base load electricity futures prices quoted on SGX.

The Group applies hedge accounting for these contracts which qualify as effective hedges. For the purpose of hedge accounting, these hedges are classified as cash flow hedges, as the contracts are used to hedge exposure to variability of cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

Details of the fair value of the Group's fuel swaps, foreign currency forwards, interest rate swaps and electricity futures at the end of the reporting period are set out below.

	2016		2015	
US$ millions	**Assets**	**Liabilities**	Assets	Liabilities
Cash flow hedges				
– Fuel swaps	**29.6**	**9.1**	6.6	75.4
– Foreign currency forwards	**7.2**	**–**	13.3	0.1
– Interest rate swaps	**–**	**0.3**	5.1	–
– Electricity futures	**0.1**	**0.6**	–	–
Total	**36.9**	**10.0**	25.0	75.5
Represented by:				
Non-current portion	**4.6**	**0.3**	7.0	6.6
Current portion	**32.3**	**9.7**	18.0	68.9
Total	**36.9**	**10.0**	25.0	75.5

The movements of the Group's unrealized gains/(losses) on cash flow hedges attributable to owners of the parent in relation to its derivative financial instruments are as follows:

Analysis of Unrealized Gains/(Losses) on Cash Flow Hedges Attributable to Owners of the Parent, Net of Tax

US$ millions	**2016**	2015
At 1 January	**(27.6)**	(23.9)
Net gain/(loss) during the year	**41.6**	(4.6)
Attributable to taxation	**(7.2)**	0.9
At 31 December	**6.8**	(27.6)

The Group's accounting policies in relation to derivatives are set out in Note 2(D)(I) to the Consolidated Financial Statements.

The main risks arising from the Group's financial instruments are market risk (including currency risk and price risk), credit risk, liquidity risk and fair value and cash flow interest rate risks. The Group's Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

(a) Market Risk

(I) Currency Risk

To manage the Group's foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, and to improve investment and cash flow planning, in addition to natural hedges, the Group enters into and engages in foreign exchange contracts for the purpose of managing its foreign exchange rate exposures emanating from business, transaction specific, as well as currency translation risks and reducing and/or managing the adverse impact of changes in foreign exchange rates on the Group's operating results and cash flows.

The following table summarizes the Group's exposure at the end of the reporting period to currency risk arising from recognized financial assets and liabilities denominated in a currency different from the functional currencies of the peso, the rupiah and the S$ used by the Group's subsidiary companies in the Philippines, Indonesia and Singapore.

US$ millions	**2016**	2015
Accounts receivable and other receivables	**4.7**	0.8
Cash and cash equivalents and short-term deposits	**309.0**	329.9
Short-term borrowings and long-term borrowings	**(658.4)**	(659.1)
Accounts payable, other payables and accruals	**(43.8)**	(97.7)
Deferred liabilities, provisions and payables	**(49.3)**	(46.0)
Net Amount	**(437.8)**	(472.1)

The following table demonstrates the sensitivity arising from the Group's financial assets and liabilities as listed above to a reasonably possible change in the exchange rates of the peso, rupiah and S$, with all other variables held constant, of the Group's profit attributable to owners of the parent and retained earnings. There is no significant impact on the other components of the Group's equity.

	2016		2015	
US$ millions	**Depreciation against the U.S. dollar (%)**	**Decrease in profit attributable to owners of the parent and retained earnings**	Depreciation against the U.S. dollar (%)	Decrease in profit attributable to owners of the parent and retained earnings
Peso	**(5.3)**	**(1.2)**	(2.9)	(0.5)
Rupiah	**(2.3)**	**(2.7)**	(4.9)	(6.6)
S$	**(1.6)**	**(0.5)**	(2.8)	(0.9)

(II) Price Risk

The Group is primarily exposed to securities price risk which principally relates to the changes in the market value of its listed equity investments, which include the Group's investments in principal operating subsidiary and associated companies in the Philippines, Indonesia and Singapore and the other listed equity investments held by Group and classified as available-for-sale assets on the Group's consolidated statement of financial position.

In addition, the Group is also exposed to commodity price risk for its consumer food products and power businesses due to certain factors, such as weather, government policies, level of demand and supply in the market and the global economic environment. Such exposure mainly arises from its purchases of CPO (which is the main raw materials used in the refinery factories to produce edible oil and fats products) and the usage of fuel in the generation of energy where the profit margin on sale of its consumer food products and electricity may be affected if the costs of CPO and fuel increases and the Group is unable to pass on such cost increases to its customers, as well as the selling price of electricity supplied to the merchant market by its power business.

The Group's policy is to minimize the risks of its raw material costs arising from the fluctuations in the commodity prices by increasing self-sufficiency in the supply of CPO for the refinery operations (through the purchase of CPO from the Group's own plantations). Besides, the Group is also able to substantially minimize such risk through the CPO it produced and sold in a similar quantity as compared to those it purchased during the year. To the extent it is unable to do so, the Group may minimize such risks through forward contracts. For the years ended 31 December 2016 and 2015, no hedging in the said commodity price risk have been undertaken.

The Group has entered into fuel swap contracts that for its power business oblige it to make payments for fuel at fixed prices on an agreed notional purchase quantity and receive payments for fuel at floating prices on the same amounts.

The Group has entered into electricity futures that oblige it to make or receive payments for electricity futures at fixed rates of electricity prices on notional quantity and receive or make payments for electricity futures at floating rates of electricity prices on the same amounts.

At 31 December 2016, if the fuel and electricity prices increased/decreased by 10%, the Group's unrealized cash flow hedge reserve and equity attributable to owners of the parent would have been US$5.5 million (2015: US$4.4 million) higher/lower with, all other variables including tax rate being held constant

(b) Credit Risk

For the consumer food products business, the Group has credit risk arising from the credit given to the customers, but it has policies in place to ensure that wholesales of products are made to creditworthy customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any particular customer, such as requiring sub-distributors to provide bank guarantees. For the water distribution business, the Group generally allows 14 days of credit for its water service customers, 60 days of credit for its sewerage service customers, 45 to 60 days of credit for its bulk water supply customers. For the hospital business, the Group sets credit limits for all customers, extends credit only to reputable entities and regularly review the credit exposures and credit worthiness of counterparties. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts. For the electricity generation business, the Group generally allows 30 days of credit to its customers and requires deposits and guarantees from creditworthy financial institutions to secure substantial obligations of its customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in Note 17 to the Consolidated Financial Statements.

The credit risk of the Group's other financial assets, which include other receivables, certain investments in debt securities classified as available-for-sale assets, cash and cash equivalents and short-term deposits, pledged deposits and restricted cash, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments and the unrealized losses, if any, on available-for-sale assets charged directly to the Group's equity. The Group is also exposed to credit risk through the granting of financial guarantees. Further details of which are set out in Note 36(C)(a) to the Consolidated Financial Statements.

The Group has no significant concentrations of credit risk.

(c) Liquidity Risk

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

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

The maturity profile of the Group's financial liabilities based on the contractual undiscounted payments, including future interest payments, and contingent liabilities in terms of guarantees given at the end of the reporting period, is as follows:

	Accounts payable, other payables and accruals		Borrowings		Deferred liabilities and provisions		Guarantees for plantation farmers' loan facilities		**Total**	
US$ millions	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Not exceeding one year	**870.9**	1,031.6	**1,732.3**	1,418.8	**84.6**	67.0	**5.6**	6.4	**2,693.4**	2,523.8
More than one year but not exceeding two years	**–**	–	**1,209.9**	863.4	**58.1**	28.0	**7.5**	8.6	**1,275.5**	900.0
More than two years but not exceeding five years	**–**	–	**2,152.9**	2,876.8	**143.4**	61.7	**28.2**	37.2	**2,324.5**	2,975.7
More than five years	**–**	–	**2,438.8**	2,780.7	**1,080.6**	1,050.0	**18.6**	21.2	**3,538.0**	3,851.9
Total	**870.9**	1,031.6	**7,533.9**	7,939.7	**1,366.7**	1,206.7	**59.9**	73.4	**9,831.4**	10,251.4

(d) Fair Value and Cash Flow Interest Rate Risks

The Group's interest rate risk arises from interest-bearing borrowings, cash and cash equivalents and short-term deposits, pledged deposits and restricted cash. Borrowings and cash and cash equivalents with variable interest rate terms expose the Group to cash flow interest rate risk. Borrowings with fixed interest rate terms expose the Group to fair value interest rate risk. At 31 December 2016, 68.7% (2015: 64.8%) of the Group's borrowings were effectively at fixed rates.

The following table demonstrates the sensitivity arising from the Group's financial assets and liabilities at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit attributable to owners of the parent and retained earnings (through the impact on variable rate borrowings, cash and cash equivalents, receivables and payables). There is no significant impact on the other components of the Group's equity. The assumed basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, especially the Philippines, Indonesian and Singaporean rates, over the period until the ending date of the next annual reporting period.

	2016		2015	
US$ millions	**Increase/ (decrease) (Basis points)**	**(Decrease)/ increase in profit attributable to owners of the parent and retained earnings**	Increase/ (decrease) (Basis points)	(Decrease)/ increase in profit attributable to owners of the parent and retained earnings
Interest rates for				
– U.S. dollar	**50**	**(0.8)**	50	(1.7)
– Rupiah	**(25)**	**0.3**	(25)	1.1
– Peso	**(25)**	**1.2**	(25)	0.2
– S$	**(30)**	**(0.1)**	60	(2.1)

42. Events After the Reporting Period

(A) On 4 January 2017, the Company announced tender offers for bonds inviting holders of the Group's 2017 Bonds (i.e. the US$300 million 7.375% Guaranteed Bonds due July 2017 issued by the Company's subsidiary company, FPMH Finance Limited) and holders of the Group's 2020 Bonds (i.e. the US$400 million 6.375% Guaranteed Bonds due September 2020 issued by the Company's subsidiary company, FPT Finance Limited) to tender their Bonds for purchase by the Company at a cash amount equal to the applicable purchase price multiplied by the aggregate principal amount of such bonds, together with any interest accrued from (and including) the immediately preceding interest payment date for such bonds to (but excluding) the settlement date in respect of such bonds validly tendered and accepted by the Company for purchase. The tender offers covered all of the 2017 Bonds and an aggregate principal amount of up to US$200 million for the 2020 Bonds. On 13 January 2017, the Company announced that it has received valid tender under the tender offers for an aggregate principal amount of US$69.0 million in respect of the 2017 Bonds and an aggregate principal amount of US$83.2 million in respect of the 2020 Bonds, which were subsequently accepted by the Company and settled on 18 January 2017. The Group recorded a loss of approximately US$10 million in respect of the settlement of such bonds.

(B) On 17 January 2017, Goodman Fielder announced proposed site reorganizations for its Australian Baking business. The planned changes to the baking business are across Western Australia and Queensland. In Queensland, Goodman Fielder has completed consultation with its employees regarding the proposals. As a result, Goodman Fielder will have an obligation in respect of reorganization cost for Queensland. For Western Australia, Goodman Fielder has entered into a commercial supply agreement with a third party to manufacture products for the Western Australia region. Prior to this being formalized, regulatory approval is required. Subject to the finalization of approval for Western Australia, Goodman Fielder will then have an obligation in respect of reorganization cost.

(C) On 17 February 2017, Philex's subsidiary companies, Silangan Mindanao Mining Co. Inc. (SMMCI) and Philex Gold Philippines, Inc. (PGPI) received letters from DENR of the Philippines directing SMMCI and PGPI, respectively, to explain why the MPSAs of SMMCI and PGPI should not be cancelled for being located within watershed areas.

On 24 February 2017, SMMCI and PGPI responded to the letters stating that there is no legal nor factual basis for the cancellation of the MPSAs since the contract areas covered by the MPSAs are not located within proclaimed watershed forest reserves where mining is prohibited, and that in any case, DENR has not observed due process. SMMCI and PGPI reserve all rights to take appropriate legal action and exhaust all remedies to protect their rightful claims under contract and the law.

43. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

At 31 December US$ millions	2016	2015
Non-current Assets		
Subsidiary companies	**965.0**	965.0
	965.0	965.0
Current Assets		
Cash and cash equivalents[(i)]	**221.6**	93.5
Amounts due from subsidiary companies	**3,600.4**	3,902.1
Other receivables and prepayments	**0.1**	1.0
	3,822.1	3,996.6
Current Liabilities		
Amounts due to subsidiary companies	**1,042.6**	1,085.7
Other payables and accruals	**1.8**	1.8
	1,044.4	1,087.5
Net Current Assets	**2,777.7**	2,909.1
Total Assets Less Current Liabilities	**3,742.7**	3,874.1
Equity		
Issued share capital	**42.8**	42.7
Shares held for share award scheme	**(10.9)**	(6.0)
Contributed surplus	**1,915.0**	173.8
(Accumulated losses)/retained earnings	**(4.0)**	55.6
Other components of equity	**73.8**	1,846.5
Equity attributable to owners of the parent	**2,016.7**	2,112.6
Non-current Liabilities		
Loans from subsidiary companies	**1,721.4**	1,757.1
Other payables	**4.6**	4.4
	1,726.0	1,761.5
	3,742.7	3,874.1

(i) Includes restricted cash at 31 December 2016 of US$1.1 million (2015: US$0.4 million)

The Company's statement of changes in equity is as follows:

US$ millions	Issued share capital	Shares held for share award scheme	Share premium	Employee share-based compensation reserve	Contributed surplus	Retained earnings/ (accumulated losses)	Total
Balance at 1 January 2015	42.9	(8.7)	1,797.2	58.0	173.8	135.6	2,198.8
Profit for the year	–	–	–	–	–	35.6	35.6
Issue of shares upon the exercise of share options	–	–	0.3	(0.1)	–	–	0.2
Repurchase and cancellation of shares	(0.2)	–	(17.8)	–	–	–	(18.0)
Shares vested under share award scheme	–	2.7	–	(2.6)	–	(0.1)	–
Employee share-based compensation benefits	–	–	–	11.5	–	–	11.5
2014 final dividend	–	–	–	–	–	(71.5)	(71.5)
2015 interim dividend	–	–	–	–	–	(44.0)	(44.0)
Balance at 31 December 2015	42.7	(6.0)	1,779.7	66.8	173.8	55.6	**2,112.6**
Loss for the year	–	–	–	–	–	(33.3)	**(33.3)**
Issue of shares upon the exercise of share options	–	–	8.1	(2.5)	–	–	**5.6**
Transfer from share premium to contribution surplus	–	–	(1,785.2)	–	1,785.2	–	**–**
Purchase of shares for share award scheme	–	(4.7)	–	–	–	–	**(4.7)**
Issue of shares under share award scheme	0.1	(2.8)	2.7	–	–	–	**–**
Cancellation of share option and share award	–	–	–	(4.1)	–	4.1	**–**
Shares vested under share award scheme	–	2.6	–	(2.4)	–	(0.2)	**–**
Employee share-based compensation benefits	–	–	–	10.7	–	–	**10.7**
2015 final dividend	–	–	–	–	–	(30.2)	**(30.2)**
2016 interim distribution	–	–	–	–	(44.0)	–	**(44.0)**
Balance at 31 December 2016	**42.8**	**(10.9)**	**5.3**	**68.5**	**1,915.0**	**(4.0)**	**2,016.7**

The Company's other components of equity comprise share premium, employee share-based compensation reserve and contributed surplus.

The share premium relates to the amount of fund received by the Company in excess of the par value of its shares issued. It may be used for repurchase of the Company's shares, distribution in the form of fully paid bonus shares and write-off of expenses related to issue of shares by the Company.

The employee share-based compensation reserve arises from the amortization of costs of share options and awarded shares granted under the share option schemes and the share award scheme adopted by the Company over the vesting period. Upon the exercise of share options, the related amount accumulated in the employee share-based compensation reserve is transferred to share premium. Upon the vesting and transfer to the awardees, the related costs of the awarded shares are credited to shares held for the share award scheme, and the related fair value of the shares is debited to the employee share-based compensation reserve. The difference between the cost and the fair value of the vested awarded shares is credited to retained earnings if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

The contributed surplus of US$1,915.0 million (2015: US$173.8 million) of the Company arose from (a) the reallocation of the entire amount of share premium balance on 28 June 2016 of US$1,785.2 million to distributable reserve, following the approval obtained from the Company's shareholders during the adjourned AGM, by way of a share premium reduction to nil and a subsequent transfer of the credit amount arising therefrom to the contributed surplus account and (b) 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.

44. Approval of the Consolidated Financial Statements

The audited Consolidated Financial Statements of the Company were approved and authorized for issue by the Board of Directors on 28 March 2017.

Glossary of Terms

Financial Terms

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

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

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

EBIT Earnings Before Interest and Tax

EBITDA Earnings Before Interest, Tax, Depreciation and Amortization

GAV Gross Asset Value, which represents the total market value of listed investments and investment costs or carrying amounts of unlisted investments of First Pacific Head Office

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

NAV Net Asset Value

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

NET CURRENT ASSETS Current assets less current liabilities

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

NON-RECURRING ITEMS Certain items, through occurrence or size, are not considered usual operating items

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

TOTAL EQUITY Equity attributable to owners of the parent and non-controlling interests

Financial Ratios

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

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

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

CURRENT RATIO Current assets divided by current liabilities

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

DISTRIBUTION/DIVIDEND COVER Recurring profit divided by ordinary share distributions/dividends paid and recommended

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

DISTRIBUTION/DIVIDEND YIELD Distributions/dividends per share divided by share price

EBIT MARGIN EBIT divided by turnover

EBITDA MARGIN EBITDA divided by turnover

GEARING RATIO Net debt divided by total equity

GROSS MARGIN Gross profit divided by turnover

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

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

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

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

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

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

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

Other

ADR American Depositary Receipts

AGM Annual General Meeting

AUSTRALASIA A region of Oceania, comprises Australia, New Zealand, the island of New Guinea, and neighbouring islands in the Pacific Ocean

CPO Crude Palm Oil

FFB Fresh Fruit Bunches

GAAP Generally Accepted Accounting Principles

GSM Global System for Mobile Communications

GWH Gigawatt Hour

HKAS Hong Kong Accounting Standards

HKFRSs Hong Kong Financial Reporting Standards

HKICPA Hong Kong Institute of Certified Public Accountants

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

IDX Indonesia Stock Exchange

IFRS International Financial Reporting Standards

ISPO Indonesian Sustainable Palm Oil

LISTING RULES The Rules Governing the Listing of Securities on SEHK

LTE Long-term Evolution high speed wireless phone technology

NYSE The New York Stock Exchange

PKO Palm Kernel Oil

PSE The Philippine Stock Exchange, Inc.

RSPO Roundtable on Sustainable Palm Oil

RSS1 Rubber Smoke Sheet 1

SEHK The Stock Exchange of Hong Kong Limited

SGM Special General Meeting

3G The third generation of mobile phone technology

4G The fourth generation of mobile phone technology

5G The fifth generation of mobile phone technology

Information for Investors

Financial Diary

Preliminary announcement of 2016 results	28 March 2017
Annual report posted to shareholders	28 April 2017
Annual General Meeting	7 June 2017
Last day to register for final distribution	13 June 2017
Payment of final distribution	27 June 2017
Preliminary announcement of 2017 interim results	29 August 2017*
Interim report posted to shareholders	29 September 2017*
Financial year-end	31 December 2017
Preliminary announcement of 2017 results	27 March 2018*

* Subject to confirmation

Head Office

24/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong SAR
Telephone : +852 2842 4388
Fax : +852 2845 9243
Email : info@firstpacific.com

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12, Bermuda
Telephone : +1 441 294 8000
Fax : +1 441 295 3328

Web Site

www.firstpacific.com

Share Information

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

Listing date : 12 September 1988
Par value : U.S.1 cent per share
Lot size : 2,000 shares
Number of ordinary shares issued: 4,281,679,008

Stock Codes

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

American Depositary Receipts (ADRs) Information

Level: 1
ADRs Code: FPAFY
CUSIP reference number: 335889200
ADRs to ordinary shares ratio: 1:5
ADRs depositary bank: Deutsche Bank Trust Company Americas

To Consolidate Shareholdings

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

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08, Bermuda

Or the Hong Kong branch registrar at:

Computershare Hong Kong Investor Services Limited

Registrar Office

17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong SAR
Telephone : +852 2862 8555
Fax : +852 2865 0990/+852 2529 6087
Email : hkinfo@computershare.com.hk

Transfer Office

Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong SAR

A Chinese Version of this Report, or Additional Information

Available at:

www.firstpacific.com

Or contact:

Sara Cheung
Vice President
Group Corporate Communications
First Pacific Company Limited
24/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong SAR
Telephone : +852 2842 4317
Email : info@firstpacific.com

Auditors

Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central, Hong Kong SAR

Solicitors

Gibson, Dunn & Crutcher
32nd Floor, Gloucester Tower, The Landmark
15 Queen's Road Central, Hong Kong SAR

Principal Bankers

Bank of America NA
Mizuho Corporate Bank, Ltd.
Sumitomo Mitsui Banking Corporation
The Hongkong & Shanghai Banking Corporation
Bank of Philippine Islands
China Banking Corporation

Summary of Principal Investments

As at 31 December 2016

PLDT Inc.

PLDT (PSE: TEL; NYSE: PHI) is the leading telecommunications provider in the Philippines. Its shares are listed on the Philippine Stock Exchange and its American Depositary Receipts are listed on the New York Stock Exchange. It has one of the largest market capitalizations among Philippine listed companies. Through its principal business groups – fixed line and wireless – PLDT offers a wide range of telecommunications services across the Philippines' most extensive fiber optic backbone and fixed line, and cellular network.

Sector	:	Telecommunications
Place of incorporation/business area	:	The Philippines
Outstanding number of shares	:	216.1 million
Particulars of outstanding shares held	:	Common shares of Pesos 5 par value
Economic/voting interest	:	25.6%/15.1%

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

PT Indofood Sukses Makmur Tbk

Indofood (IDX: INDF) is a leading Total Food Solutions company with operations in all stages of food manufacturing from the production of raw materials and their processing through to the manufacture of consumer food products and their distribution to the market. It is based and listed in Indonesia while its Consumer Branded Products subsidiary PT Indofood CBP Sukses Makmur Tbk and agribusiness subsidiaries PT Salim Ivomas Pratama Tbk and PT Perusahaan Perkebunan London Sumatra Indonesia Tbk are also listed in Indonesia. Another subsidiary, Indofood Agri Resources Ltd. is listed in Singapore, and an agribusiness associate, Roxas Holdings, Inc. is listed in the Philippines.

Through its four complementary Strategic Business groups, Indofood manufactures and distributes a wide range of food products: Consumer Branded Products (noodles, dairy, snack foods, food seasonings, nutrition and special foods, and beverages), Bogasari (wheat flour and pasta), Agribusiness (oil palm, rubber, sugar cane, cocoa and tea plantations, cooking oils, margarine and shortenings) and Distribution.

Indofood is one of the world's largest manufacturers by volume of wheat-based instant noodles, one of the largest plantation companies by area and the largest flour miller in Indonesia. Indofood also has an extensive distribution network across Indonesia.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	Indonesia
Issued number of shares	:	8.8 billion
Particulars of issued shares held	:	Shares of Rupiah 100 par value
Economic and voting interests	:	50.1%

Further information on Indofood can be found at www.indofood.com

Metro Pacific Investments Corporation

MPIC (PSE: MPI; ADR code: MPCIY) is a Philippine-listed investment management and holding company focused on infrastructure development.

Sector	:	Infrastructure, Utilities and Hospitals
Place of incorporation/business area	:	The Philippines
Issued number of shares	:	31.5 billion
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic/voting interest	:	42.0%/55.0%

Further information on MPIC can be found at www.mpic.com.ph

FPW Singapore Holdings Pte. Ltd

FPW controls Goodman Fielder Pty Limited ("Goodman Fielder").

Sector	:	Consumer Food Products
Place of incorporation/business area	:	Singapore/Australasia
Issued number of shares	:	204.9 million
Particulars of issued shares held	:	Shares with no par value
Economic and voting interest	:	50.0%

Goodman Fielder Pty Limited

Goodman Fielder is headquartered in Sydney, Australia and has over 40 manufacturing plants in Australia, New Zealand, Papua New Guinea, Fiji and New Caledonia. It is a leading food company in Australasia, produce and market bread, dairy products, flour, dressings, condiments, mayonnaise, frozen pastry, cake mix, desserts, sauces, vinegar and cooking oils to over 30,000 retail outlets. Goodman Fielder's corporate history spans over 100 years, and has developed iconic brands such as Meadow Lea, Praise, White Wings, Pampas, Helga's, Wonder White, Vogel's, Meadow Fresh, Edmonds and Irvines.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	Australia/Australasia
Issued number of shares	:	2.0 billion
Particulars of issued shares held	:	Common shares with no par value
Economic and voting interests	:	50.0%

Further information on Goodman Fielder can be found at www.goodmanfielder.com.au

Philex Mining Corporation

Philex (PSE: PX) is a Philippine-listed company engaged in the exploration and mining of mineral resources and, through a listed investment PXP Energy Corporation (PSE: PXP), in energy and hydrocarbon businesses.

Sector	:	Natural Resources
Place of incorporation/business area	:	The Philippines
Issued number of shares	:	4.9 billion
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic and voting interests	:	31.2%(1)

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

Further information on Philex can be found at www.philexmining.com.ph

FPM Power Holdings Limited

FPM Power controls PacificLight Power Pte. Ltd. ("PLP").

Sector	:	Infrastructure/Utilities
Place of incorporation/business area	:	British Virgin Islands/Singapore
Issued number of shares	:	10,000
Particulars of issued shares held	:	Shares of US$1 par value
Economic/voting interests	:	67.8%(2)/60.0%

(2) Includes a 7.8% effective economic interest in FPM Power held by First Pacific through its indirect interests in Meralco.

PacificLight Power Pte. Ltd.

PLP is the operator of one of Singapore's most efficient gas-fired power plants, housing an 800-megawatt natural gas-fired combined cycle facility. Its wholly-owned subsidiary PacificLight Energy Pte. Ltd. offers customized price packages for retail customers in Singapore.

Sector	:	Infrastructure/Utilities
Place of incorporation/business area	:	Singapore
Issued number of shares	:	112.8 million
Particulars of issued shares held	:	Ordinary shares with no par value
Economic/voting interests	:	47.5%(3)/70.0%

(3) Includes a 5.5% effective economic interest in PLP held by First Pacific through its indirect interests in Meralco.

Further information on PLP can be found at www.pacificlight.com.sg

FP Natural Resources Limited

FP Natural Resources together with its Philippine affiliate, First Agri Holdings Corporation, hold interests in RHI (PSE: ROX) and FCMI.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	British Virgin Islands/The Philippines
Issued number of shares	:	15,100
Particulars of outstanding shares held	:	Shares of US$1 par value
Economic/voting interests	:	79.4%(4)/70.0%

(4) Includes a 9.4% effective economic interest in FP Natural Resources held by First Pacific through its indirect interests in IndoAgri.

Roxas Holdings, Inc.

RHI (PSE: ROX) is one of the largest raw sugar producers, one of the biggest sugar refiners and the largest ethanol producer in the Philippines.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	The Philippines
Outstanding number of shares	:	1.4 billion
Particulars of outstanding shares held	:	Common shares of Peso 1 par value
Economic/voting interests	:	21.3%(5)/26.8%(6)

(5) Includes a 2.5% effective economic interest in RHI held by First Pacific through its indirect interests in IndoAgri.
(6) First Agri Holdings Corporation, a Philippine affiliate of FP Natural Resources, holds an additional 32.9% economic and voting interests in RHI.

Further information on RHI can be found at www.roxasholdings.com.ph

First Coconut Manufacturing Inc.

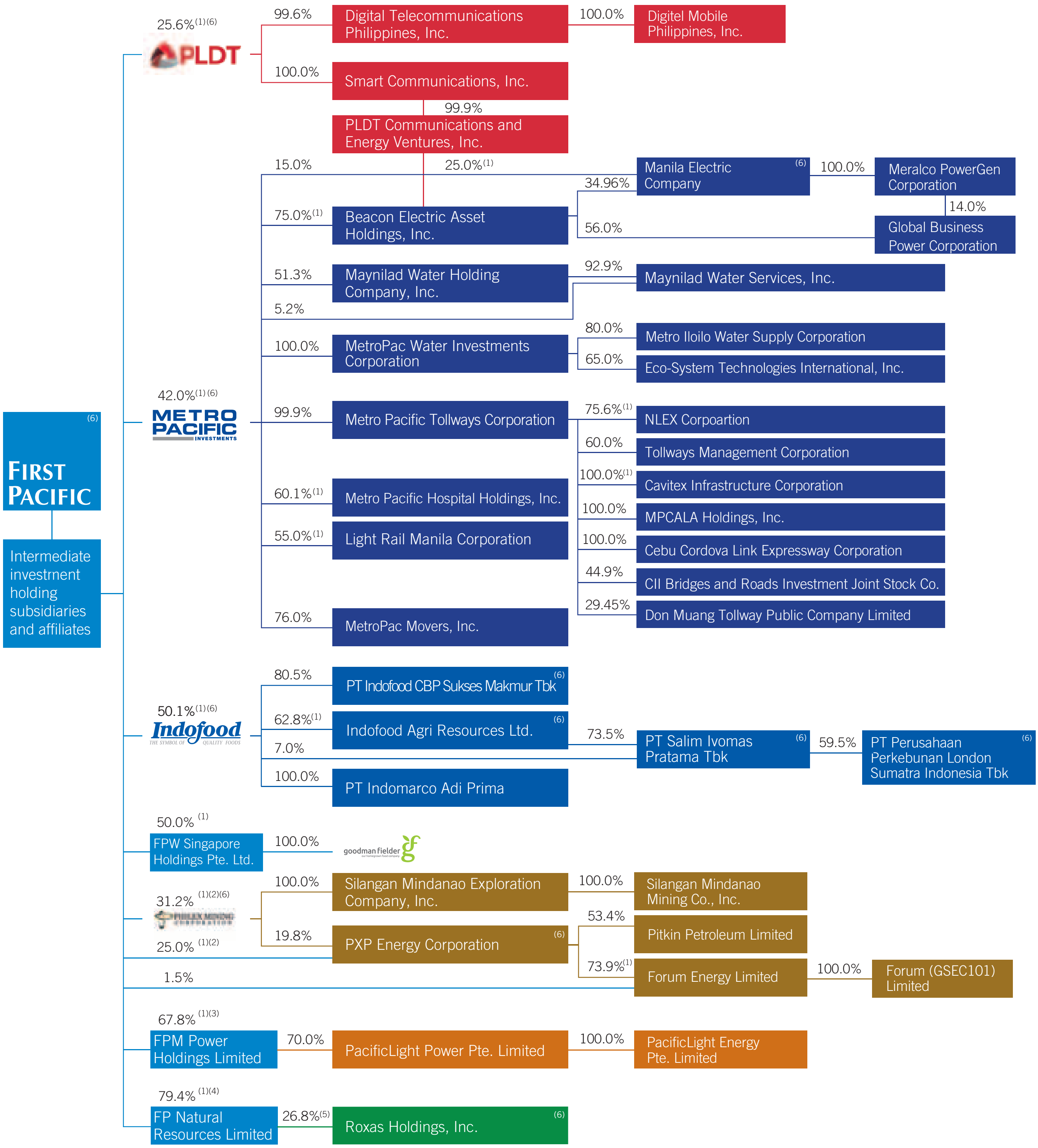
FCMI engages in crushing of copra, and production and refining of crude coconut oil in the Philippines.

Sector	:	Consumer Food Products
Place of incorporation/business area	:	The Philippines
Issued number of shares	:	250.0 million
Particulars of issued shares held	:	Common shares of Peso 1 par value
Economic/voting interests	:	79.4%(7)/100.0%

(7) Includes a 9.4% effective economic interest in FP Natural Resources held by First Pacific through its indirect interests in IndoAgri.

Corporate Structure

As at 28 March 2017



(1) Economic interest
(2) Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds additional 15.0% and 7.7% economic interests in Philex and PXP Energy Corporation, respectively.
(3) Includes a 7.8% effective economic interest in FPM Power held by First Pacific through its indirect interests in Manila Electric Company.
(4) Includes a 9.4% effective economic interest in FP Natural Resources held by First Pacific through its indirect interests in Indofood Agri Resources Ltd.
(5) First Agri Holdings Corporation, a Philippine affiliate of FP Natural Resources, holds an additional 32.9% economic interest in RHI and a 100.0% economic interest in First Coconut Manufacturing Inc.
(6) Listed company

FIRST
PACIFIC

First Pacific Company Limited

(Incorporated with limited liability under the laws of Bermuda)

24/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong SAR
Telephone: +852 2842 4388
Email: info@firstpacific.com
Website: **www.firstpacific.com**

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