THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your shares in First Pacific Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

FIRST PACIFIC

FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00142

POSSIBLE MAJOR TRANSACTION
Possible acquisition of shares in Del Monte Pacific Limited by First Pacific Company Limited and Possible Mandatory Conditional Cash Offer by J.P. Morgan (S.E.A.) Limited for and on behalf of First Pacific Brands Limited (a wholly-owned subsidiary of First Pacific Company Limited) for Del Monte Pacific Limited

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A notice convening a special general meeting of First Pacific Company Limited to be held at The Victoria and Chater Rooms, 2nd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Friday, 9 December 2005 at 10 a.m. is set out on pages 207 and 208 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy to the head office of First Pacific Company Limited (Attention: Corporate Secretarial Department) at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

21 November 2005

CONTENTS

In this Circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acceptance Condition"	the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the number of Del Monte Shares owned, controlled or agreed to be acquired by the Offeror or its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and its Concert Parties holding such number of Del Monte Shares carrying more than 50 per cent. of the voting rights attributable to the issued share capital of Del Monte as at the close of the Offer (including any voting rights attributable to Del Monte Shares issued or to be issued pursuant to the valid exercise of the Options prior to the close of the Offer);
"Acquisition"	the acquisition of the Sale Shares by the Company or a wholly-owned subsidiary pursuant to the Share Purchase Agreement;
"Announcement"	the announcement of the Transaction by First Pacific dated 9 November 2005;
"Board"	the board of Directors;
"CF"	Cirio Finanziaria S.p.A. in Amministrazione Straordinaria, a company incorporated in Italy which is in extraordinary administration, which controls indirectly the Seller and which is an Unconnected Person;
"Circular"	this circular, which is issued by First Pacific to Shareholders in respect of the Transaction;
"Completion"	completion of the Acquisition pursuant to the Share Purchase Agreement;
"Concert Parties"	the parties acting or presumed to be acting in concert (within the meaning ascribed to that term under the Singapore Takeovers Code) with First Pacific and the Offeror in relation the Offer;
"Del Monte"	Del Monte Pacific Limited, a company incorporated in the British Virgin Islands with limited liability and whose shares are primarily listed on the SGX-ST;

"Del Monte Board"	the board of directors of Del Monte;
"Del Monte Group"	Del Monte and its subsidiaries;
"Del Monte Shares"	ordinary shares of US$0.01 each in the capital of Del Monte;
"Directors"	the directors of First Pacific;
"Encumbrance"	in respect of the Sale Shares means, any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind;
"Enlarged Group"	the First Pacific Group as enlarged by the consolidation of the Del Monte Group;
"First Pacific" or "Company"	First Pacific Company Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange;
"First Pacific Group"	First Pacific and its subsidiaries;
"HK$"	Hong Kong dollar, the legal currency of Hong Kong;
"HKFRS"	Hong Kong Financial Reporting Standards;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"IFRS"	International Financial Reporting Standards;
"Indofood"	P.T. Indofood Sukses Makmur Tbk, a company incorporated in Indonesia with limited liability whose shares are listed on the Jakarta and Surabaya Stock Exchanges;
"Latest Practicable Date"	18 November 2005, being the latest practicable date for the collation of relevant information prior to the printing of this Circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;

"MCI"	MCI, Inc., a company incorporated in the British Virgin Islands and a party to a shareholders' agreement with the Seller in respect of Del Monte;
"Metro Pacific"	Metro Pacific Corporation, a company incorporated in the Philippines with limited liability whose shares are listed on The Philippine Stock Exchange, Inc.;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Companies;
"Offer"	(i) as at the date of this Circular, the possible mandatory conditional cash offer for the Offer Shares; and (ii) subject to and upon Completion, the mandatory cash offer (conditional only as to the Acceptance Condition) for the Offer Shares to be made pursuant to Rule 14 of the Singapore Takeovers Code;
"Offer Document"	the formal document, making the Offer, setting out the terms and conditions of the Offer and enclosing the appropriate forms of acceptance;
"Offer Price"	US$0.3818 per Del Monte Share in cash;
"Offer Shares"	all the Del Monte Shares in issue or to be issued which are not already owned, controlled or agreed to be acquired by the Offeror, First Pacific or other Concert Parties as at the date of the Offer;
"Offeror"	First Pacific Brands Limited, a company incorporated in Bermuda with limited liability and a wholly-owned subsidiary of First Pacific;
"Options"	the options granted by Del Monte pursuant to its Executive Share Option Plan;
"Pesos"	Philippine Pesos, the legal currency of the Philippines;
"the Philippines"	the Republic of the Philippines;
"PLDT"	Philippine Long Distance Telephone Company, a company incorporated in the Philippines with limited liability whose shares are primarily listed on The Philippine Stock Exchange, Inc.;
"Rs."	Indian Rupees, the legal currency of India;

"S$"	Singapore dollar, the legal currency of Singapore;
"Sale Shares"	428,570,000 Del Monte Shares, representing, as at 30 September 2005 (the date of Del Monte's most recent published interim unaudited financial statements), approximately 39.62 per cent. of the issued share capital of Del Monte;
"Seller"	Del Monte Holdings Limited, an indirect subsidiary of CF and the seller of the Sale Shares, which is an Unconnected Person;
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
"SGX-ST"	the Singapore Exchange Securities Trading Limited;
"Shareholders"	shareholders of First Pacific;
"Share Purchase Agreement"	the share purchase agreement dated 9 November 2005 and entered into between CF, the Seller and First Pacific, in respect of the Acquisition;
"SIC"	the Securities Industry Council of Singapore;
"Singapore"	the Republic of Singapore;
"Singapore Takeovers Code"	the Singapore Code on Take-overs and Mergers as revised with effect from 1 January 2002;
"Special General Meeting"	the special general meeting of First Pacific to be held at The Victoria and Chater Rooms, 2nd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Friday, 9 December 2005 at 10 a.m., the notice of which is set out on pages 207 and 208 of this Circular;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supplemental Document"	a paid announcement in the newspapers or a circular to the Shareholders which contains the information set out in paragraphs (a) to (i) of the section entitled "Supplemental Document" in the "Letter from the Company" to the Shareholders which appears in this Circular;
"Transaction"	the Acquisition and the Offer;

"Unconnected Person"	a person who is, to the best of the knowledge of the Board, having made all reasonable enquiries, an independent third party not connected with the directors, chief executive, substantial shareholders of First Pacific or its subsidiaries or any of their respective associates; and
"US$"	United States dollars, the legal currency of the United States of America.

This Circular contains translations of certain US$ amounts into HK$ or S$ amounts at the rates of US$1.00 = HK$7.8 and S$1.7024 respectively. The rates at which the US$ amounts are translated into S$ amounts is the latest closing mid-point spot rates between US$ and S$ as quoted by the Financial Times published on 9 November 2005, the date of the Announcement. The translations have been provided solely for the convenience of the readers of this Circular and no representation is made that any of the US$ amounts actually represent the HK$ or S$ amounts or could have been or could be converted into HK$ and/or S$ at the specified rates, at any particular rate or at all.

FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00142

Chairman:
Anthoni Salim

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

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

Independent Non-executive Directors:
Graham L. Pickles
Prof. Edward K.Y. Chen *(GBS, CBE, JP)*
David W.C. Tang *(OBE, Chevallier de L'Ordre Arts et des Lettres)*

Head Office:
24th Floor
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

21 November 2005

To the Shareholders

Dear Sir/Madam,

POSSIBLE MAJOR TRANSACTION
Possible acquisition of shares in Del Monte Pacific Limited by
First Pacific Company Limited
and
Possible Mandatory Conditional Cash Offer by
J.P. Morgan (S.E.A.) Limited
for and on behalf of
First Pacific Brands Limited
(a wholly-owned subsidiary of First Pacific Company Limited)
for
Del Monte Pacific Limited

INTRODUCTION

First Pacific announced the Transaction on 9 November 2005 and at the same time announced the Transaction in Singapore in compliance with the Singapore Takeovers Code.

The purpose of this Circular is to provide the shareholders of First Pacific with further information in relation to the Transaction.

This Circular also contains a copy of the notice of the Special General Meeting of the Company to be held at The Victoria and Chater Rooms, 2nd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Friday, 9 December 2005 at 10 a.m. to consider and, if deemed fit, approve the Transaction pursuant to the Listing Rules.

THE ACQUISITION

On 9 November 2005, First Pacific entered into the Share Purchase Agreement pursuant to which it agreed, directly or through a wholly-owned subsidiary, to acquire from the Seller the Sale Shares, representing, as at 30 September 2005 (the date of Del Monte's most recent published interim unaudited financial statements), approximately 39.62 per cent. of the issued share capital of Del Monte. Del Monte is listed on the SGX-ST and is the holding company in the Del Monte Group. The Del Monte Group is an integrated producer, marketer and distributor of processed food products under the Del Monte brand name.

The consideration for the Sale Shares is US$163,628,026 (representing approximately HK$1,276.3 million or S$278.6 million). This consideration represents US$0.3818 or approximately S$0.65 per Del Monte Share. The consideration and other terms of the Share Purchase Agreement were arrived at after arm's length negotiations between the parties involved with reference to the prevailing market price of Del Monte Shares. Following signing of the Share Purchase Agreement, First Pacific arranged for US$25.0 million (approximately HK$195.0 million), being a part of the consideration for the Sale Shares, to be held in an escrow account. Subject to the satisfaction of certain conditions, the amount will be released to the Seller shortly before or at Completion.

The Sale Shares will be acquired with full title guarantee free from any Encumbrance and together with all rights and advantages attaching to them as at Completion (including, without limitation, the right to receive all dividends or distributions declared, made or paid on or after Completion).

The Acquisition is subject to the following conditions being satisfied or (in the case of condition (c) below only) waived:

(a) the pre-emption rights, which are applicable to the majority of the Sale Shares, not having been validly exercised;

(b) the passing at the Special General Meeting of the Company of a resolution to approve the Transaction; and

(c) since the date of the last published audited accounts of the Del Monte Group, being 31 December 2004, there being: (i) no material adverse change in the assets, business, financial condition, profits, liabilities or results of operations of the Del Monte Group taken as a whole; and (ii) no litigation, arbitration or other legal proceedings instituted or threatened against any member of the Del Monte Group or any member of the Del Monte Group having taken any action outside the ordinary course of its business which could reasonably be expected to have a material adverse effect on the financial or trading position of the Del Monte Group taken as a whole.

Following satisfaction or waiver (where permissible) of these conditions, Completion is expected to take place on the third business day thereafter (or such other date as may be agreed between the parties). In the event that condition (c) above is waived or satisfied and both the other conditions are satisfied, the Company will issue an announcement promptly to inform the Shareholders and the market of such development and that the parties will proceed to Completion. First Pacific will also make an announcement as and when appropriate to keep Shareholders and the market informed if not all the conditions have been satisfied or waived and the parties will not proceed with Completion. If the conditions are not satisfied or waived (where permissible) on or before 31 January 2006, any party may give notice to terminate the Share Purchase Agreement and the agreement will thereupon terminate and save as expressly provided therein, cease to have any effect and the Offer will not be made. In the event that condition (c) above is not satisfied, First Pacific will consult the SIC prior to making a decision as to whether to invoke the condition and terminate the Acquisition.

The Seller, who is the largest shareholder of Del Monte, and MCI, the second largest shareholder of Del Monte, are party to an existing shareholders' agreement. Pursuant to such shareholders' agreement, MCI and certain entities associated with it are entitled to certain pre-emption rights in respect of 310,772,467 of the Sale Shares. If MCI or any of its associated entities exercise such pre-emption rights validly, the Acquisition will not complete and the Offer will not proceed. If MCI or its associated entities do not exercise such pre-emption rights validly, they may, by notice given pursuant to such shareholders' agreement, include or 'tag along' with the Seller certain of their Del Monte Shares in the Acquisition. If such tag along right is validly exercised, the Company, at Completion, may acquire not only the Sale Shares, but also those Del Monte Shares which MCI or any of its associated entities have validly included in the Acquisition. On 10 November 2005, a notice in respect of both such pre-emption rights and such tag along right was sent to MCI and certain entities associated with it. Pursuant to the shareholders' agreement, MCI and such entities have 21 days from delivery to accept an offer, after it is delivered, made to them in respect of their pre-emption rights. As at the Latest Practicable Date, the Directors are not aware of MCI and any of its associated entities having exercised such pre-emption or tag along rights or given notice as to their intention whether or not to exercise such rights.

In respect of condition (b) above, First Pacific has received irrevocable undertakings from First Pacific Investments Limited and First Pacific Investments (B.V.I.) Limited, Shareholders in respect of an aggregate of 44.5 per cent. of First Pacific's issued share capital, to vote in favour of any and all resolutions relating to the Acquisition and the Offer and any transactions contemplated thereunder at the Special General Meeting.

As Del Monte is listed on the SGX-ST, the Acquisition is governed by the Singapore Takeovers Code. In accordance with Rule 14 of the Singapore Takeovers Code, upon Completion, when the First Pacific Group acquires Del Monte Shares which (taken together with the Del Monte Shares held or acquired by its Concert Parties (if any)) carry 30 per cent. or more of the voting rights of Del Monte, the First Pacific Group will be required to make a mandatory conditional offer for the Offer Shares. The mandatory conditional offer will be made by the Offeror.

As at the Latest Practicable Date, the First Pacific Group held no Del Monte Shares and to the best of the knowledge of the Board having made all reasonable enquiries, none of its Concert Parties held any Del Monte Shares.

THE OFFER

Terms

Upon Completion, the Offeror will make the Offer for the Offer Shares, in accordance with Rule 14 of the Singapore Takeovers Code.

The Offer, if and when made, will be made on the following basis:

For each Offer Share:	**US$0.3818 in cash** (representing approximately S$0.65 or HK$2.9780)

The Offer Price will be the same as the price per share in US$ for the Sale Shares under the Acquisition. Del Monte shareholders will be given an option to elect to receive the Offer Price in S$. Further details on settlement of the consideration will be provided in due course. Del Monte shareholders who accept the Offer will be asked to indicate, on the form of acceptance, their preferred currency of settlement of the Offer Price.

The Offer Price represents a premium of approximately 18.2 per cent. to the closing price of S$0.55 per Del Monte Share (as traded on the SGX-ST) on 9 November 2005 (the date of the Announcement) and a premium of approximately 18.5 per cent. to the 10-day volume weighted average price of S$0.5486 per Del Monte Share (as traded on the SGX-ST) for the period ended 9 November 2005 (the date of the Announcement). The Offer Price represents a premium of approximately 2.4 per cent. to the closing price of S$0.635 per Del Monte Share (as traded on the SGX-ST) on the Latest Practicable Date and a premium of approximately 6.8 per cent. to the 10-day volume weighted average price of S$0.6087 per Del Monte Share (as traded on the SGX-ST) for the period ended on the Latest Practicable Date.

The Offer will be extended to all Del Monte Shares to be issued unconditionally pursuant to the valid exercise of any Options prior to the close of the Offer.

Acceptance Condition

The Offer will, if and when made, be conditional on the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the number of Del Monte Shares owned, controlled or agreed to be acquired by the Offeror or its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and its Concert Parties holding such number of Del Monte Shares carrying more than 50 per cent. of the voting rights attributable to the issued share capital of Del Monte as at the close of the Offer (including any voting rights attributable to Del Monte Shares issued or to be issued pursuant to the valid exercise of the Options prior to the close of the Offer).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror and its Concert Parties holding such number of Del Monte Shares carrying more than 50 per cent. of the maximum potential issued share capital of Del Monte. For this purpose, the "maximum potential issued share capital of Del Monte" means the total number of Del Monte Shares which would be in issue had all the Options been validly exercised as at the date of such declaration.

The Offer, if and when made, will not be subject to any other condition.

Value of the Offer

On the basis of the Offer Price, the entire share capital of Del Monte in issue as at the Latest Practicable Date (assuming there has been no change to Del Monte's issued share capital since 30 September 2005, the date of Del Monte's most recent published unaudited interim financial statements) was valued at approximately US$412.9 million or S$702.9 million (representing approximately HK$3,220.6 million) and the Offer Shares as at the Latest Practicable Date (assuming there has been no change to Del Monte's issued share capital since 30 September 2005, the date of Del Monte's most recent published unaudited interim financial statements) in aggregate were valued at approximately US$252.6 million or S$430.0 million (representing approximately HK$1,970.3 million). The Offer Price will be the same as the price per share in US$ under the Acquisition.

Offer Document

The formal document, making the Offer and setting out the terms and conditions of the Offer and enclosing the appropriate forms of acceptance, will be despatched to holders of Offer Shares not earlier than 14 days and not later than 21 days from the date of the announcement of a firm intention to make the Offer, if any.

Tentative Timetable of the Offer

Completion/Announcement of the Offer	by 14 December 2005
Despatch of the Offer Document to Del Monte shareholders	by 4 January 2006 or such later date as may be permitted by the SIC
First closing date	1 February 2006

Each of the dates in the above timetable are subject to change.

EMPLOYEES OF DEL MONTE

We believe that Del Monte has committed and highly competent managers and employees who have contributed significantly to the success of Del Monte. Accordingly, First Pacific confirms that upon First Pacific holding more than 50 per cent. of the issued share capital of Del Monte, the existing employment rights, including pension rights, of all employees of Del Monte will be fully safeguarded.

FINANCING OF THE ACQUISITION AND THE OFFER

The Acquisition and the Offer will be financed by a combination of the Company's internal resources and external funding, the amounts of which are yet to be determined. The external funding will be secured by security interests in shares of PLDT held by the First Pacific Group and Del Monte Shares to be acquired under the Transaction.

BUSINESS OF DEL MONTE

Del Monte was incorporated in the British Virgin Islands in 1999. It has been listed on the SGX-ST since 2 August 1999.

Del Monte is the holding company in the Del Monte Group. The Del Monte Group is engaged in the production, marketing and distribution of premium-branded food and beverage products. The Del Monte Group, according to Del Monte, owns the Del Monte brand in the Philippines and holds exclusive rights to produce and distribute food and beverage products under the Del Monte brand in India. According to Del Monte, it operates one of the world's largest fully integrated pineapple operations and has long-term supply agreements with other Del Monte trademark owners and licensees around the world.

As at the Latest Practicable Date, Del Monte had a market capitalisation of approximately S$686.8 million (representing approximately US$403.4 million or HK$3,146.8 million) (assuming there has been no change to its issued share capital since 30 September 2005, the date of Del Monte's most recent published unaudited interim financial statements). The unaudited consolidated net profit of Del Monte for the period ended 30 September 2005 was approximately US$13.0 million after tax (representing approximately HK$101.4 million) and US$15.7 million before tax (representing approximately HK$122.5 million).

The audited consolidated net profit of Del Monte for the year ended 31 December 2004 was approximately US$28.1 million after tax (representing approximately HK$219.2 million) and US$33.2 million before tax (representing approximately HK$259.0 million) and the audited consolidated net profit of Del Monte for the year ended 31 December 2003 was approximately US$30.2 million after tax (representing approximately HK$235.6 million) and US$31.9 million before tax (representing approximately HK$248.8 million), respectively. The unaudited consolidated net assets of Del Monte as at 30 September 2005 were approximately US$150.2 million (representing approximately HK$1,171.6 million). The audited consolidated net assets of Del Monte as at 31 December 2004 and 31 December 2003 were approximately US$157.6 million (representing approximately HK$1,229.3 million) and US$149.3 million (representing approximately HK$1,164.5 million), respectively. The figures quoted in this paragraph are extracted from the Del Monte "Management Discussion and Analysis of Unaudited Financial Condition and Results of Operations for the Third Quarter Ended 30 September 2005", announced by Del Monte on 10 November 2005, and Del Monte's audited financial statements for the years ended 31 December 2003 and 31 December 2004, as published in Del Monte's annual report for the year ended 31 December 2004.

REASONS FOR THE TRANSACTION

The Transaction, when completed, will represent a strategic acquisition by the First Pacific Group in line with its stated objective of driving growth through acquisitions in the food and telecommunications sectors.

The Acquisition and the Transaction as a whole presents the First Pacific Group with an opportunity to acquire a significant interest in a food business with strong brands and well-established operations. The Board believes that the combination of First Pacific Group's expertise in the food sector within South East Asia and Del Monte's presence in the Philippines, India and China will result in a branded food business with a diverse range of products and significant growth potential.

The Board is of the view that the terms of the Acquisition and the Offer are fair and reasonable and in the interests of the Shareholders as a whole.

BUSINESS OF THE OFFEROR

The First Pacific Group is a Hong Kong-based investment and management company with operations located in South East Asia. Its principal business interests relate to telecommunications and consumer food products.

The Offeror is a company incorporated in Bermuda and is a wholly-owned subsidiary of First Pacific. Its principal activities are those of an investment holding company and it has no other business than to make the Acquisition and/or the Offer.

GENERAL

The Acquisition, if completed, will constitute a notifiable transaction for First Pacific under the Listing Rules.

The Acquisition, together with the Offer (if completed), will constitute a possible major transaction for First Pacific under the Listing Rules, which will require Shareholders' approval.

The Offer Document will not be sent to the Shareholders as all relevant information is contained in this Circular.

To the best of the Board's knowledge, having made all reasonable enquiries, Del Monte, CF, the Seller and the other shareholders of Del Monte are Unconnected Persons.

RISKS IN RELATION TO THE TRANSACTION

Shareholders and potential investors should note that the Acquisition, which is conditional, may or may not complete, that the making of the Offer is subject to Completion and that the Offer, if made, may not be successful and may not complete.

Pursuant to an existing shareholders' agreement between the Seller and MCI, prior to the Seller transferring 310,772,467 of the Sale Shares to the Offeror it must first notify MCI and certain entities associated with it of the Acquisition and give those parties the opportunity to purchase the before mentioned number of Sale Shares at the same price and on no less favourable terms to the transfer of 310,772,467 of the Sale Shares to be made pursuant to the Acquisition. The shareholders' agreement contains provisions governing MCI's pre-emption rights and its alternative right to include or "tag along" with the Seller certain of its Del Monte Shares in the Acquisition. These provisions require certain notices to be served and compliance (in respect of the form of notice, the timing of the notice, the manner of service or otherwise) with these provisions or other provisions of the agreement and/or the timing, manner and/or validity of the exercise of such rights or failure to exercise could be the subject of challenge, dispute or even litigation (including injunctive action). On 10 November 2005, a notice in respect of both such pre-emption rights and such tag along right was sent to MCI and certain entities associated with it. Pursuant to the shareholders' agreement, MCI and such entities have 21 days to accept an offer, after it is delivered, made to them in respect of their pre-emption rights. If MCI purchases 310,772,467 of the Sale Shares, Completion will not happen and the Offer will not be made. If the conditions set out in the Share Purchase Agreement are not satisfied or waived (where permissible) by 31 January 2006, any party may give notice to terminate the Share Purchase Agreement and the agreement will thereupon terminate and save as expressly provided therein, cease to have any effect and the Offer will not be made. In the event that condition (c) set out in the section entitled "The Acquisition" on pages 7 to 9 of this Circular above is not satisfied, First Pacific will consult the SIC prior to making a decision as to whether to invoke the condition and terminate the Acquisition.

Furthermore, given the structure of the Transaction, there is a risk that even where the Acquisition is completed and the Offer is made, the Acceptance Condition will not be satisfied, with the result that the Offer will lapse. The Acceptance Condition must be satisfied by 3.30 p.m. on the 60th day after the date of posting of the Offer Document (unless the SIC permits otherwise). If the Acceptance Condition is not satisfied, the Offer will lapse. If the Offer lapses or is otherwise terminated (as may be permitted under the Singapore Takeovers Code or by the SIC), the Offeror will hold only the Sale Shares, being less than a 50 per cent. stake in Del Monte. Having the Sale Shares only will make

First Pacific the largest shareholder of Del Monte (assuming there is and will be no change to the issued share capital of Del Monte since 30 September 2005, the date of Del Monte's most recent published unaudited interim financial statements) but will not give it entitlement to the statutory rights or the rights set out in the memorandum and articles of association of Del Monte which are afforded to the majority shareholder who controls more than 50 per cent. of the voting rights at general meetings of the company. In such event, the financial results of Del Monte will not be consolidated into the financial accounts of the First Pacific Group but will be reflected as those of an associate in such accounts; also, Del Monte will be an associate of First Pacific under the Listing Rules.

First Pacific intends to take Del Monte private and to delist the company as soon as possible after the Offer closes. However, if the Acceptance Condition is not satisfied and the Offer lapses or is otherwise terminated (as may be permitted under the Singapore Takeovers Code or by the SIC), Del Monte may continue to be listed on the SGX-ST. Even if the Acquisition completes, the Offer is made, the Acceptance Condition is met and the Offer closes, the ability of First Pacific (acting through the Offeror) to nominate its representatives onto the board of Del Monte or to exert influence over the management of Del Monte and the other members of the Del Monte Group may be limited. It is First Pacific's intention to ensure the appointment of its representatives to the board of Del Monte and take over management control of the Del Monte Group as soon as possible after the Offer closes; however, its efforts to do so may be delayed and/or frustrated.

In addition, both the Acquisition and the Offer, if made, is being and will be made respectively on the basis of publicly available information concerning Del Monte. There is therefore a risk that non-public information regarding Del Monte or another member of the Del Monte Group may become public or known to First Pacific which is adverse to the Transaction and which, if known to First Pacific prior to the signing of the Share Purchase Agreement, would have deterred First Pacific from undertaking the Transaction.

There can be no assurance that shareholders of Del Monte will tender their Del Monte Shares into the Offer.

Shareholders and investors are advised to exercise caution when dealing in the securities of First Pacific and the securities of Del Monte.

TERMS OF THE TRANSACTION

The terms of the Acquisition have been arrived at after arm's length negotiations between the respective parties to the Share Purchase Agreement. The terms of the Offer have been determined by reference to the Singapore Takeovers Code. The Board is of the view that the terms of the Acquisition and the Offer are fair and reasonable and in the interests of the Shareholders as a whole.

SUPPLEMENTAL DOCUMENT

Given the structure of the Transaction, and in particular the need to maintain confidentiality prior to the Announcement being made, no formal approach has been made to the Del Monte Board. It has not been possible to gain access to such financial and other records/information of the Del Monte Group prior to the Latest Practicable Date as is required in order to comply fully with the disclosure requirements under the Listing Rules in relation to the inclusion of certain financial and other information of the Del Monte Group in this Circular. For the purposes of this Circular, First Pacific has extracted the published audited consolidated financial statements of the Del Monte Group prepared under IFRS, for the three years ended 31 December 2004 and the latest published unaudited consolidated financial statements of the Del Monte Group for the latest interim period ended 30 September 2005 and certain other information. However, First Pacific is unable to comply with the following Listing Rules requirements in respect of the disclosure of information as at the date of this Circular:

(a) an accountants' report on the Del Monte Group prepared using accounting policies which are materially consistent with those of the First Pacific Group (Rule 14.67(4)(a)(i) of the Listing Rules);

(b) a pro forma statement of the assets and liabilities of the Enlarged Group on the same accounting basis and in compliance with Chapter 4 of the Listing Rules (Rule 14.67(4)(a)(ii) of the Listing Rules);

(c) an indebtedness statement as at the Latest Practicable Date of the Enlarged Group (Rule 14.66(2) and paragraph 28 of Appendix 1B of the Listing Rules);

(d) a statement by the Directors that in their opinion the working capital as at the Latest Practicable Date available to the Enlarged Group is sufficient (Rules 14.66(2) and 14.66(4) and paragraph 30 of Appendix 1B of the Listing Rules);

(e) information concerning the effect of the Transaction on the earnings and assets and liabilities of the Enlarged Group (Rule 14.64(5) of the Listing Rules);

(f) a discussion and analysis of the Del Monte Group's performance during the period covered by the accountants' report referred to in paragraph (a) above (Rule 14.66(5) and paragraph 48(2) of Appendix 16 of the Listing Rules);

(g) a statement as to the financial and trading prospects of the Enlarged Group for the current financial year (ending 31 December 2005), together with any material information which may be relevant (Rule 14.66(2) and paragraph 29(1)(b) of Appendix 1B of the Listing Rules);

(h) particulars of any litigation or claims of material importance pending or threatened against any member of the Enlarged Group, or an appropriate negative statement (Rule 14.64(2) and paragraph 33 of Appendix 1B of the Listing Rules); and

(i) the dates of and parties to all material contracts entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date together with a summary of the principal contents of such contracts and particulars of any consideration passing to or from any member of the Enlarged Group (Rule 14.66(2) and paragraph 42 of Appendix 1B of the Listing Rules).

The Company applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements of the Listing Rules set out in paragraphs (a) to (i) above and on 4 November 2005 the Stock Exchange indicated, in writing, that it was minded to grant an in-principle dispensation to the Company from such requirements provided that certain conditions required by the Stock Exchange were satisfied. A description of how those conditions have been met is set out in the remaining paragraphs of this section.

In relation to the information set out in paragraph (a) above, this Circular contains the published audited consolidated financial statements of the Del Monte Group for the three years ended 31 December 2004 and the latest published unaudited consolidated financial statements of the Del Monte Group for the interim period to 30 September 2005 (being the date of Del Monte's latest published unaudited interim financial statements) all drawn up in accordance with IFRS, including in each case, the notes to such accounts (as contained in the relevant financial statements), and an explanation of the differences in accounting practices between HKFRS and IFRS as at the Latest Practicable Date (if any) in respect of the latest interim period. This information is contained in Appendix II to this Circular.

In relation to the information set out in paragraph (b) above, a statement of the assets and liabilities of Del Monte as shown in its published audited financial statements for 2004 has been included in Appendix II to this Circular.

In this Circular, in relation to the information set out in paragraph (g) above, a description has been included of the financial and trading prospects of the First Pacific Group only.

In relation to the information set out in paragraph (h) above, this Circular contains a description of claims (or an appropriate negative statement) by reference to the First Pacific Group and information regarding Del Monte which is available from public records of the Supreme Court of Singapore for the years 2003, 2004 and 2005 in Singapore (where Del Monte is listed) and the Index of Civil Suits maintained at the Supreme Court Registry in the British Virgin Islands (where Del Monte is incorporated). The information regarding Del Monte is contained in section 4 (Litigation) of Appendix III to this Circular and has not been verified by the Company.

In relation to the information set out in paragraph (i) above, this Circular contains a list of material contracts by reference to the First Pacific Group and information regarding Del Monte which is available from the Registry of Corporate Affairs in the British Virgin Islands (where Del Monte is incorporated) and which is material in the context of this Transaction (or an appropriate negative statement). The information regarding Del Monte is contained in section 3 (Material Contracts) of Appendix III to this Circular and has not been verified by the Company.

First Pacific will publish the information set out in paragraphs (a) to (i) above by way of the Supplemental Document within 42 days of the appointment of one or more of its nominees to the Del Monte Board. The Company will use its best endeavours to secure the appointment of one or more of its nominees onto the Del Monte Board as soon as possible after the Acceptance Condition has been satisfied. However, the Supplemental

Document is not capable of being published within a definitive timeframe because the Company, even when the Offer is declared or becomes wholly unconditional, can not be sure as to whether it will be able to exercise compulsory acquisition rights over the shares held by other Del Monte shareholders and/or to secure the delisting of Del Monte. The Company will keep Shareholders and the market informed of any difficulty which it encounters in issuing the Supplemental Document within the set timeframe. Furthermore, as a practical matter, time will be required to assess any information concerning Del Monte which is provided to the Company and is required to produce the relevant disclosures or financial statements. Please see "Risks in Relation to the Transaction".

The Supplemental Document will include an accountants' report comprising: (i) the published audited financial statements of Del Monte for the three years ended 31 December 2004 and the interim period 1 January to 30 September 2005; or (ii) the published audited financial statements of Del Monte for the three years ended 31 December 2005 (to the extent that Del Monte's audited financial statements for 31 December 2005 have been announced), all drawn up in accordance with IFRS.

The Supplemental Document will include an explanation of the differences in accounting practices between HKFRS and IFRS (if any).

The Supplemental Document will also include a statement from the Company's reporting accountants, subject to any findings by them to the contrary, that the accounting policies adopted by the Del Monte Group during the relevant periods for the financial information prepared in accordance with IFRS are consistent with those policies which would have been adopted if the financial information for the same periods had been prepared under HKFRS and that, accordingly, a reconciliation of the financial effect of the material differences in compliance with Rule 4.11(b)(ii) of the Listing Rules is not required.

FINANCIAL AND TRADING PROSPECTS

First Pacific

Net profits for First Pacific in the first six months of 2005 improved by approximately 18.1 per cent. to approximately US$60.8 million (approximately HK$474.2 million) and First Pacific received approximately US$24.4 million (approximately HK$190.3 million) as dividends from PLDT during the first nine months of 2005. Strong dividend income in the second half of 2005 is expected in view of the collection of Indofood's final dividend for 2004 (approximately US$6.8 million or HK$53.0 million) and further potential dividend distribution from PLDT in December 2005.

First Pacific concluded an investment of US$15 million (approximately HK$117.0 million) for a 25 per cent. interest in Level Up! International Holdings Pte. Ltd. – a publisher of massively multiplayer online games (MMOG). This is a high growth business which further capitalises on the First Pacific Group's knowledge and experience in telecommunications infrastructure and mass-market know-how. First Pacific successfully raised US$199 million (approximately HK$1,552.2 million) in January this year by issuing five-year exchangeable notes.

First Pacific's share price increased by over 30 per cent. from HK$2.075 to HK$2.775 and reached a high of HK$2.90 in the first six months of 2005. In addition, First Pacific declared an interim dividend of HK1.00 cent per share which was paid to Shareholders in October 2005.

Finally, First Pacific has adopted its own code on corporate governance practices and is in compliance with all of the code provisions and most of the recommended best practices as set out in Appendix 14 of the Listing Rules. The Audit Committee is actively working with the First Pacific Group's operating units to enhance reporting and monitoring.

PLDT

PLDT has reduced its consolidated debt by approximately US$552 million (approximately HK$4,305.6 million) during the first nine months of 2005 which has already exceeded the original target of US$500 million for 2005, and further paid off approximately US$50.9 million (approximately HK$397.0 million) 2007 notes on 8 November 2005. PLDT raised its debt reduction target for 2005 to US$700 million (approximately HK$5,460.0 million) . The dividend payout target has similarly been raised to 40 per cent. of 2005 core earnings per share and an another interim dividend of Pesos 21 (approximately US$0.38 or HK$2.96) per share was declared on 8 November 2005.

PLDT has reached over approximately 20.8 million cellular and approximately 2.1 million fixed line subscribers. Cellular subsidiary, Smart Communications, Inc. ("**Smart**") has a network covering approximately 98 per cent. of the population which has facilitated the introduction of services such as faster and cheaper cash remittance through text for both overseas and domestic customers *(SMART Padala)*.

PLDT Fixed Line has commenced the upgrade of existing facilities to a Next Generation Network and expects to increase DSL capacity by another 50,000 by year-end 2005. Smart launched Smart WiFi which is a broadband wireless offering in June 2005, which had approximately 9,000 subscribers as at 30 September 2005. As of 30 September 2005, PLDT had close to 76,000 DSL subscribers, while approximately 370,000 PLDT subscribers use the PLDT Vibe dial-up internet service.

Indofood

Indofood has been repositioned as a total food solutions provider. The new business structure, together with management's efforts of conducting regular review of each business aspect in its vertically integrated supply chain, production and distribution networks, has strengthened its market position in Indonesia's consumer food sector.

The target to enhance shareholders' value through separately listing the Bogasari flour division is under review. There is concern about the current unfavourable equity market conditions, but the management will be closely monitoring further market development in this respect.

The Indofood management remains focused on improving operational efficiency, introducing new products, rationalising headcount and enhancing distribution networks in order to offer products with better value and expand market reach.

As at 30 September 2005, Indofood has bought back approximately US$126.3 million (approximately HK$985.1 million) of its Eurobonds leaving an outstanding balance of approximately US$153.7 million (approximately HK$1,198.9 million). Indofood plans to refinance its foreign currency borrowings in rupiah-denominated debts in order to eliminate foreign currency exposure.

In addition, Indofood continues to evaluate expansion opportunities.

Metro Pacific

The Metro Pacific management is actively exploring specific investment opportunities to rebuild its investment portfolio. Progress has been made in identifying opportunities in the toll roads sector and others are presently being explored.

Debt has been reduced by approximately Pesos 500 million (approximately US$9.1 million or HK$71.0 million) to approximately Pesos 740 million (approximately US$13.2 million or HK$103.0 million) of which approximately Pesos 437 million (approximately US$7.8 million or HK$60.8 million) is currently subject to closing documentation. The year-end target has been reset to less than Pesos 300 million (approximately US$5.4 million or HK$42.1 million) from the original target of Pesos 350 million (approximately US$6.2 million or HK$48.4 million).

Metro Pacific plans to complete the expansion of the Pacific Mall Legaspi to over 40,000 square metres and to launch the development of a new mall in Naga before year-end. New mixed-use land projects include various tourism components.

The rehabilitation plan for one of Metro Pacific's businesses, Negros Navigation Co., Inc., has been fully implemented and the company is benefiting from the revised lower interest rates and extended loan maturity and repayment terms.

SPECIAL GENERAL MEETING

A notice convening the Special General Meeting to be held at The Victoria and Chater Rooms, 2nd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Friday, 9 December 2005 at 10 a.m. is set out on pages 207 and 208 of this Circular. At the Special General Meeting, two ordinary resolutions will be proposed. The first will be to approve the entry into of the Share Purchase Agreement, the transactions contemplated therein and the performance of the Company's obligations thereunder and the second will be to approve, subject to and conditional on Completion, the making of the Offer and the terms and conditions of the Offer.

A form of proxy for use at the Special General Meeting is enclosed. Whether or not the Shareholders are able to attend the meeting, they are requested to complete and return the enclosed form of proxy to First Pacific's head office (Attention: Corporate Secretarial

Department) at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the meeting should they wish to do so.

RECOMMENDATION

The Board believes the terms of the Transaction to be fair and reasonable and in the interests of all shareholders of First Pacific and recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the Special General Meeting for approving the Transaction.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the following appendices to this Circular:

(i) Appendix I – financial information of the First Pacific Group;

(ii) Appendix II – financial information of the Del Monte Group; and

(iii) Appendix III – general information.

Yours faithfully,
For and on behalf of the Board of Directors of
First Pacific Company Limited
Manuel V. Pangilinan
Managing Director and CEO

A SUMMARY OF FINANCIAL RESULTS AND CONDITIONS OF THE FIRST PACIFIC GROUP

The following financial information has been extracted from the audited consolidated financial statements of the First Pacific Group as published in First Pacific's annual reports for the years ended 31 December 2003 and 2004 and the unaudited condensed consolidated financial statements of the First Pacific Group for the six months ended 30 June 2005.

CONSOLIDATED PROFIT AND LOSS STATEMENT

US$ millions	**Six months ended 30 June 2005** *(Unaudited)*	**Years ended 31 December 2004**	**2003** *(Audited)*	**2002**
TURNOVER	942.5	2,054.6	2,161.8	1,892.3
Cost of sales	(702.7)	(1,536.1)	(1,657.1)	(1,420.9)
GROSS PROFIT	239.8	518.5	504.7	471.4
Gain/(loss) on disposal of a discontinued operation, divestments and dilutions, net	–	25.1	(3.2)	–
Distribution costs	(81.7)	(172.2)	(172.3)	(140.1)
Administrative expenses	(57.3)	(121.5)	(138.1)	(121.2)
Other operating (expenses)/ income, net	(6.3)	(20.3)	29.9	6.9
Net borrowing costs	(59.2)	(111.9)	(115.8)	(109.0)
Share of profits less losses of associated companies	71.1	118.6	65.0	32.6
PROFIT BEFORE TAXATION	106.4	236.3	170.2	140.6
Taxation	(20.4)	(57.3)	(35.2)	(56.2)
PROFIT FOR THE PERIOD/YEAR	86.0	179.0	135.0	84.4
ATTRIBUTABLE TO:				
Equity holders of the parent	60.8	134.5	74.1	40.1
Minority interest	25.2	44.5	60.9	44.3
	86.0	179.0	135.0	84.4
PER SHARE DATA (U.S. CENTS)				
Basic earnings	1.91	4.22	2.33	1.27
Diluted earnings	1.74	4.21	N/A	N/A
Dividend	0.13	–	–	–

N/A: Not applicable

CONSOLIDATED BALANCE SHEET

US$ millions	At 30 June 2005 (Unaudited)	At 31 December 2004	2003 (Audited)	2002
NON-CURRENT ASSETS				
Property and equipment	626.8	664.4	699.3	1,009.3
Plantations	164.3	147.4	160.0	–
Associated companies	296.4	234.9	8.0	(24.5)
Long-term receivables and prepayments	136.7	269.2	248.0	265.3
Goodwill	40.0	36.5	18.3	19.3
Prepaid land premiums	40.7	–	–	–
Available-for-sale-assets	4.4	–	–	–
Deferred tax assets	6.0	5.8	7.5	9.6
Restricted cash	4.7	4.7	4.7	–
	1,320.0	1,362.9	1,145.8	1,279.0
CURRENT ASSETS				
Cash and cash equivalents	257.7	186.6	233.3	203.3
Restricted cash and pledged deposits	–	4.5	17.6	22.9
Available-for-sale-assets/ Short-term investments	42.6	32.9	77.0	42.8
Accounts receivable, other receivables and prepayments	286.9	360.0	430.2	389.0
Inventories	291.5	281.4	309.6	376.1
	878.7	865.4	1,067.7	1,034.1
CURRENT LIABILITIES				
Accounts payable, other payables and accruals	278.3	282.4	379.9	381.2
Short-term borrowings	243.6	288.9	207.4	605.7
Provision for taxation	16.2	26.2	36.8	26.6
	538.1	597.5	624.1	1,013.5
NET CURRENT ASSETS	340.6	267.9	443.6	20.6
TOTAL ASSETS LESS CURRENT LIABILITIES	1,660.6	1,630.8	1,589.4	1,299.6
EQUITY				
Issued share capital	31.9	31.9	31.9	31.9
Other reserves	899.8	898.4	954.8	958.5
Accumulated losses	(614.4)	(635.7)	(935.6)	(1,061.6)
Equity/(deficit) attributable to equity holders of the parent	317.3	294.6	51.1	(71.2)
Minority interest	343.0	365.1	376.7	424.1
TOTAL EQUITY	660.3	659.7	427.8	352.9
NON-CURRENT LIABILITIES				
Loan capital and long-term borrowings	762.7	761.2	955.9	757.2
Deferred liabilities and provisions	96.7	100.0	88.7	118.9
Deferred tax liabilities	116.6	109.9	117.0	70.6
Derivative liability	24.3	–	–	–
	1,000.3	971.1	1,161.6	946.7
	1,660.6	1,630.8	1,589.4	1,299.6

B AUDITED FINANCIAL INFORMATION

Set out below is the audited consolidated profit and loss statement, consolidated balance sheet, balance sheet, consolidated and company statements of changes in shareholders' equity, consolidated cash flow statement and notes to the financial statements reproduced from the audited consolidated financial statements published in the Company's annual report for the year ended 31 December 2004.

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 31 December *US$ millions*	*Notes*	**2004**	**2003** *(Restated)*[(i)]
TURNOVER	*1*	2,054.6	2,161.8
Cost of sales		(1,536.1)	(1,657.1)
GROSS PROFIT		518.5	504.7
Gain/(loss) on disposal of a discontinued operation, divestments and dilutions, net		25.1	(3.2)
Distribution costs		(172.2)	(172.3)
Administrative expenses		(121.5)	(138.1)
Other operating (expenses)/income, net		(20.3)	29.9
OPERATING PROFIT	*2*	229.6	221.0
Share of profits less losses of associated companies		118.6	65.0
Net borrowing costs	*3*	(111.9)	(115.8)
PROFIT BEFORE TAXATION		236.3	170.2
Taxation	*4*	(57.3)	(35.2)
PROFIT AFTER TAXATION		179.0	135.0
Outside interests		(44.5)	(60.9)
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	*5*	134.5	74.1
EARNINGS PER SHARE (U.S. CENTS)	*6*		
– Basic		4.22	2.33
– Diluted		4.21	N/A

N/A: Not applicable

(i) Refer to Note 26.

The principal accounting policies on pages 29 to 38 and the Notes on pages 39 to 73 form an integral part of the Financial Statements.

CONSOLIDATED BALANCE SHEET

At 31 December *US$ millions*	*Notes*	**2004**	**2003** *(Restated)*[(i)]
NON-CURRENT ASSETS			
Property and equipment	*8*	664.4	699.3
Plantations	*9*	147.4	160.0
Associated companies	*11*	234.9	8.0
Long-term receivables and prepayments	*12*	269.2	248.0
Goodwill	*13*	36.5	18.3
Deferred tax assets	*24*	5.8	7.5
Restricted cash	*27(G)*	4.7	4.7
		1,362.9	1,145.8
CURRENT ASSETS			
Cash and cash equivalents		186.6	233.3
Restricted cash and pledged deposits	*27(G)*	4.5	17.6
Short-term investments	*14*	32.9	77.0
Accounts receivable, other receivables and prepayments	*15*	360.0	430.2
Inventories	*16*	281.4	309.6
		865.4	1,067.7
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	*17*	282.4	379.9
Short-term borrowings	*18*	288.9	207.4
Provision for taxation	*19*	26.2	36.8
		597.5	624.1
NET CURRENT ASSETS		267.9	443.6
TOTAL ASSETS LESS CURRENT LIABILITIES		1,630.8	1,589.4
EQUITY CAPITAL AND RESERVES			
Issued capital	*20*	31.9	31.9
Reserves		262.7	19.2
Shareholders' equity		294.6	51.1
OUTSIDE INTERESTS	*21*	365.1	376.7
NON-CURRENT LIABILITIES			
Loan capital and long-term borrowings	*22*	761.2	955.9
Deferred liabilities and provisions	*23*	100.0	88.7
Deferred tax liabilities	*24*	109.9	117.0
		971.1	1,161.6
		1,630.8	1,589.4

(i) Refer to Note 26.

The principal accounting policies on pages 29 to 38 and the Notes on pages 39 to 73 form an integral part of the Financial Statements.

COMPANY BALANCE SHEET

At 31 December *US$ millions*	*Notes*	**2004**	**2003**
NON-CURRENT ASSETS			
Subsidiary companies	*10*	694.2	872.5
Amounts due from subsidiary companies	*10(A)*	1,169.9	868.8
Associated companies	*11(A)*	–	3.1
		1,864.1	1,744.4
CURRENT ASSETS			
Cash and cash equivalents		27.0	38.4
CURRENT LIABILITIES			
Payables and accruals		8.7	12.6
NET CURRENT ASSETS		18.3	25.8
TOTAL ASSETS LESS CURRENT LIABILITIES		1,882.4	1,770.2
EQUITY CAPITAL AND RESERVES			
Issued capital	*20*	31.9	31.9
Reserves		1,034.8	900.1
Shareholders' equity		1,066.7	932.0
NON-CURRENT LIABILITIES			
Amounts due to subsidiary companies	*10(B)*	815.7	838.2
		815.7	838.2
		1,882.4	1,770.2

The principal accounting policies on pages 29 to 38 and the Notes on pages 39 to 73 form an integral part of the Financial Statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICIT)

CONSOLIDATED *US$ millions*	**Issued share capital**	**Share premium account**	**Exchange reserve** *(Note 25)*	**Revenue reserve** *(Note 25)*	**Total**
Balance at 1 January 2003, as previously reported	31.9	958.2	0.3	(1,061.6)	(71.2)
Prior year adjustments	–	–	(2.2)	47.7	45.5
As restated[i]	31.9	958.2	(1.9)	(1,013.9)	(25.7)
Net losses not recognized in the profit and loss statement					
– Exchange translation	–	–	(2.0)	–	(2.0)
Dilution of interests in a subsidiary and an associated company	–	–	0.5	4.2	4.7
Net profit for the year, as restated					
– Company and subsidiary companies	–	–	–	17.0	17.0
– Associated companies	–	–	–	57.1	57.1
BALANCE AT 31 DECEMBER 2003 (RESTATED)[i]	31.9	958.2	(3.4)	(935.6)	51.1
Net losses not recognized in the profit and loss statement					
– Exchange translation	–	–	(23.2)	–	(23.2)
Dilution and disposal of interests in subsidiary and associated companies	–	–	(33.2)	165.4	132.2
Net profit for the year					
– Company and subsidiary companies	–	–	–	41.0	41.0
– Associated companies	–	–	–	93.5	93.5
BALANCE AT 31 DECEMBER 2004	31.9	958.2	(59.8)	(635.7)	294.6

COMPANY *US$ millions*	**Issued share capital**	**Share premium account**	**Contributed surplus** *(Note 25)*	**Revenue reserve**	**Total**
Balance at 1 January 2003	31.9	958.2	173.8	(144.2)	1,019.7
Net loss for the year	–	–	–	(87.7)	(87.7)
BALANCE AT 31 DECEMBER 2003	31.9	958.2	173.8	(231.9)	932.0
Net profit for the year	–	–	–	134.7	134.7
BALANCE AT 31 DECEMBER 2004	31.9	958.2	173.8	(97.2)	1,066.7

(i) Refer to Note 26.

The principal accounting policies on pages 29 to 38 and the Notes on pages 39 to 73 form an integral part of the Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December		**2004**	**2003**
US$ millions	*Notes*		*(Restated)*[(i)]
Operating profit		229.6	221.0
Depreciation		54.5	54.5
Foreign exchange losses, net		33.4	10.8
Decrease/(increase) in long-term receivables and prepayments		24.5	(30.1)
Loss on dilution of interests in a subsidiary and an associated company		3.0	3.2
Amortization of goodwill		1.5	1.0
Gain on disposal of a discontinued operation and divestments, net		(28.1)	–
Payments in respect of deferred liabilities and provisions		(17.5)	(8.3)
(Gain)/loss on sale of property and equipment		(1.8)	0.6
(Gain)/loss on changes in fair value of plantations		(1.7)	25.4
Others		(5.9)	(19.0)
Operating profit before working capital changes		291.5	259.1
Decrease/(increase) in accounts receivable, other receivables and prepayments		29.6	(69.5)
Decrease in pledged deposits		1.9	21.9
(Decrease)/increase in accounts payable, other payables and accruals		(48.0)	47.4
(Increase)/decrease in inventories		(1.9)	51.4
Net cash inflow generated from operations[(ii)]		273.1	310.3
Interest received		14.8	21.5
Interest paid		(120.8)	(124.9)
Tax paid		(41.5)	(27.6)
NET CASH INFLOW FROM OPERATING ACTIVITIES		125.6	179.3

CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

For the year ended 31 December *US$ millions*	*Notes*	**2004**	**2003** *(Restated)*[(i)]
Sale/(placement) of short-term investments		39.9	(15.8)
Divestments of subsidiary companies	*27(A)*	9.1	–
Sale of property and equipment		7.9	0.6
Loans repaid by associated companies		0.5	2.5
Disposal of subsidiary companies	*27(B)*	–	75.3
Purchase of property and equipment		(109.1)	(71.7)
Deposits for acquisition and increased investments in subsidiary companies	*27(C)*	(39.1)	–
Acquisition of subsidiary companies	*27(D)*	(25.6)	–
Increased investments in subsidiary companies	*27(E)*	(16.9)	–
Continuing operations		(133.3)	(9.1)
A discontinued operation	*27(F)*	15.0	(16.7)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(118.3)	(25.8)
Proceeds of new borrowings		255.9	448.5
Shares issued to outside interests by a subsidiary company		0.1	5.6
Borrowings repaid		(277.6)	(528.3)
Dividends paid to outside interests by subsidiary companies		(26.5)	(50.5)
Decrease/(increase) in restricted cash		11.2	(20.4)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(36.9)	(145.1)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(29.6)	8.4
Cash and cash equivalents at 1 January		233.3	203.3
Exchange translation		(17.1)	21.6
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		186.6	233.3
REPRESENTING			
Cash and cash equivalents		186.6	233.3

(i) Refer to Note 26.

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

The principal accounting policies on pages 29 to 38 and the Notes on pages 39 to 73 form an integral part of the Financial Statements.

PRINCIPAL ACCOUNTING POLICIES

The Group comprises First Pacific Company Limited and its subsidiary companies.

(A) BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with Hong Kong Generally Accepted Accounting Principles (GAAP) and comply with Hong Kong Financial Reporting Standards (HKFRSs) (which includes Statement of Standard Accounting Practice (SSAPs) and Interpretations)) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Financial Statements have been prepared under the historical cost convention except for plantations, short-term investments and derivative instruments which, as disclosed in the accounting policies below, are stated at fair value.

New Accounting Standards Effective during 2004

Certain changes to Hong Kong GAAP had been implemented during 2004 as a consequence of the following new accounting standards issued by the HKICPA, which became effective for accounting periods commencing on, or after, 1 January 2004. The principal changes to Hong Kong GAAP are summarized as follows:

- HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards" prescribes the accounting treatment that an entity should apply when it adopts HKFRSs for the first time as the basis for preparing its annual and interim financial statements. The issuing of HKFRS 1 had no impact on the Group's Financial Statements.

- SSAP 36 "Agriculture" prescribes the accounting treatment, financial statement presentation and disclosures related to agricultural activity. SSAP 36 requires the measurement of biological assets on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs. Gains and losses arising on initial recognition and subsequent changes in fair value are included in the profit and loss statement. The adoption of SSAP 36 has resulted in changing the Group's accounting policy on measuring Indofood's plantations (biological assets) from historical cost to fair value less estimated point-of-sale costs.

  Further details of these changes are included in the accounting policy for Plantations (see (F) below). As a result of the adoption of SSAP 36, prior year adjustments have been made to restate the comparative figures for the year ended and at 31 December 2003 from those included in the published 2003 Annual Financial Statements of the Group. Details of the restatement are set out in Notes 26 and 34.

PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

New Accounting Standards Effective Subsequent to 2004

The HKICPA has issued a number of new and revised HKFRSs and Hong Kong Accounting Standards (HKASs) (herein collectively referred to as the new HKFRSs) which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the Financial Statements for the year ended 31 December 2004. Nevertheless, the Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(B) BASIS OF CONSOLIDATION

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

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

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The gain or loss on the disposal of a subsidiary company represents the difference between the net proceeds from sale and the Group's share of its net assets, together with any goodwill and exchange reserves that was not previously charged or recognized in the consolidated profit and loss statement.

Outside interests represent the interests of outside shareholders in the results and net assets of subsidiary companies.

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

(C) CASH AND CASH EQUIVALENTS

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

PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

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

(D) INVENTORIES

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

(E) PROPERTY AND EQUIPMENT

Freehold land is stated at cost and is not depreciated. Other property and equipment is stated at cost less accumulated impairment losses and accumulated depreciation, calculated on the straight-line basis at annual rates estimated to write off their book values less residual values over their expected useful lives. Details of depreciation rates are given in Note 8(A).

Major costs incurred in restoring fixed assets to their normal working condition are charged to the consolidated profit and loss statement. Improvements are capitalized and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated profit and loss statement.

(F) PLANTATIONS

Plantations are classified into immature and mature plantations. Immature plantations are reclassified as mature plantations when they start to produce fresh fruit bunches at an average of at least four tons per hectare in one year. On average, an oil palm plantation takes about four years to reach maturity from the time of planting. Both the immature and mature plantations are stated at fair value less estimated point-of-sale costs. The fair value of plantations is determined based on the present value of their expected net cash inflows. At each balance sheet date, the unrealized gains and losses arising from changes in fair value of plantations are recognized in the consolidated profit and loss statement.

PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(G) ASSOCIATED COMPANIES

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

Investments in associated companies are stated in the consolidated balance sheet at the Group's share of net assets of the associated companies under the equity method of accounting, together with related goodwill (net of accumulated impairment losses and amortization) or negative goodwill on acquisition, which was not previously eliminated or recognized in the consolidated reserves, and in the Company's balance sheet at cost less provision for impairment losses. Income from associated companies is stated in the consolidated profit and loss statement as the Group's share of profits less losses of associated companies, and in the Company's profit and loss statement to the extent of dividends received and receivable.

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

(H) SHORT-TERM INVESTMENTS

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

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

(I) INCOME TAX

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

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

PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

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

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

(J) PROVISIONS AND CONTINGENT LIABILITIES

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

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

(K) IMPAIRMENT OF ASSETS

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, 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 value in use and its net selling price.

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

PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

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

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

(L) ACCOUNTING FOR ACQUISITION AND DISPOSAL

(i) RESULTS

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

(ii) FAIR VALUE ADJUSTMENTS

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

(iii) GOODWILL

Goodwill represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognized in the consolidated balance sheet as an asset and amortized on the straight-line basis over its estimated useful life of 20 years. In the case of associated companies, any unamortized goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

On the disposal of subsidiary and associated companies, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill that remains unamortized, and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognized impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

(M) FOREIGN CURRENCIES

On consolidation, the financial statements of overseas subsidiary and associated companies are translated into U.S. dollars using the net investment method. The profit and loss statements of overseas subsidiary and associated companies are translated into U.S. dollars using average rates of exchange for the year. Balance sheets are translated at closing rates. The resulting translation differences are included in the exchange reserve. For the purposes of the consolidated cash flow statement, the cash flows of overseas subsidiary companies are translated into U.S. dollars at the average rates of exchange for the year.

Exchange differences, arising on the retranslation at closing rates of the opening net assets and the profits for the year retained by overseas subsidiary and associated companies, and on foreign currency borrowings used to finance long-term foreign equity investments, are taken to reserves.

Foreign currency transactions are translated into U.S. dollars at rates approximating those prevalent at the relevant transaction dates. Monetary assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date.

Exchange differences that fall within the definition of borrowing costs (see (R) below) are included in the carrying amount of an asset and are recognized in the consolidated profit and loss statement over the expected useful life of the asset or when the asset is disposed of.

All other exchange differences are dealt with in the consolidated profit and loss statement.

PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(N) TURNOVER AND REVENUE RECOGNITION

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

(O) SEGMENTAL INFORMATION

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

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

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Head Office and other items mainly comprise Head Office assets, borrowings and overhead.

(P) OPERATING LEASES

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

(Q) 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.

PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

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

(ii) LONG SERVICE PAYMENTS

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

(iii) SHARE OPTION SCHEMES

The Group operates three share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes is not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss statement or the balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company and subsidiary companies as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded in the share premium account. Options which are canceled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(iv) 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 at the balance sheet date is permitted to be carried forward and utilized by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(R) BORROWING COSTS

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

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

Other ancillary costs incurred in connection with the arrangement of borrowings are charged to the consolidated profit and loss statement in the year in which they are incurred.

(S) DERIVATIVE INSTRUMENTS

Derivative instruments, which include currency swaps and foreign exchange contracts entered into for the purpose of managing foreign currency exposures but which are not qualified as hedging for accounting purposes, are recognized as either an asset or a liability based on the fair value of each contract. The gains or losses arising from changes in fair values of these derivative instruments are recognized in the consolidated profit and loss statement.

(T) RELATED PARTIES

Related parties are individuals and corporate entities where the individual or corporate entity has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where two parties are subject to common control or common significant influence.

NOTES TO THE FINANCIAL STATEMENTS

1. TURNOVER AND SEGMENTAL INFORMATION

US$ millions	**2004**	**2003**
TURNOVER		
Sale of goods and properties	2,022.5	2,118.2
Rendering of services	32.1	43.6
TOTAL	2,054.6	2,161.8

SEGMENTAL INFORMATION

Segmental information, relating to the Group's business and geographic interests, follows. Analysis by business segment is the Group's primary reporting format as this is more relevant to the Group when making operational and financial decisions. Details of the Group's principal investments are provided on page 74. Particulars in respect of a discontinued operation are set out in Note 28.

BY PRINCIPAL BUSINESS ACTIVITY – 2004

US$ millions	Telecom-munications	Consumer Food Products	Property and Transportation	A discontinued operation[i]	Head Office	2004 Total
PROFIT AND LOSS						
Segment revenue – turnover	–	1,995.8	58.8	–	–	2,054.6
Segment results/operating profit	–	189.9	34.2	–	5.5	229.6
Share of profits less losses of associated companies	118.8	(1.8)	(0.1)	1.7	–	118.6
Net borrowing costs						(111.9)
Profit before taxation						236.3
Taxation						(57.3)
Profit after taxation						179.0
Outside interests						(44.5)
Profit attributable to ordinary shareholders						134.5
ASSETS AND LIABILITIES						
Segment assets	–	1,789.7	122.7	–	42.3	1,954.7
Associated companies	206.7	1.4	26.8	–	–	234.9
Unallocated assets						38.7
Total assets						2,228.3
Segment liabilities	–	222.5	104.7	–	55.2	382.4
Unallocated liabilities						1,186.2
Total liabilities						1,568.6
OTHER INFORMATION						
Capital expenditure	–	101.6	3.5	–	–	105.1
Depreciation and amortization	–	55.1	0.9	–	–	56.0
Other non-cash expenses	3.0	1.4	9.2	–	–	13.6

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

BY PRINCIPAL GEOGRAPHICAL MARKET – 2004

US$ millions	The Philippines	Indonesia	A discontinued operation(i)	Head Office	2004 Total
Segment revenue – turnover	58.8	1,995.8	–	–	2,054.6
Segment assets	122.7	1,789.7	–	42.3	1,954.7
Associated companies	233.5	1.4	–	–	234.9
Unallocated assets					38.7
Total assets					2,228.3
Capital expenditure	3.5	101.6	–	–	105.1

BY PRINCIPAL BUSINESS ACTIVITY – 2003

US$ millions	Telecom-munications	Consumer Food Products (Restated)	Property and Transportation	A discontinued operation(i)	Head Office	2003 Total (Restated)
PROFIT AND LOSS						
Segment revenue – turnover	–	2,090.1	71.7	–	–	2,161.8
Segment results/operating profit	–	184.7	62.1	–	(25.8)	221.0
Share of profits less losses of associated companies	51.6	(0.4)	20.1	(6.3)	–	65.0
Net borrowing costs						(115.8)
Profit before taxation						170.2
Taxation						(35.2)
Profit after taxation						135.0
Outside interests						(60.9)
Profit attributable to ordinary shareholders						74.1
ASSETS AND LIABILITIES						
Segment assets	–	1,889.4	159.8	–	71.8	2,121.0
Associated companies	114.3	2.4	24.5	(133.2)	–	8.0
Unallocated assets						84.5
Total assets						2,213.5
Segment liabilities	–	286.2	115.6	–	75.4	477.2
Unallocated liabilities						1,308.5
Total liabilities						1,785.7
OTHER INFORMATION						
Capital expenditure	–	70.6	2.0	–	–	72.6
Depreciation and amortization	–	53.5	2.0	–	–	55.5
Other non-cash expenses	2.2	29.0	–	–	–	31.2

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

BY PRINCIPAL GEOGRAPHICAL MARKET – 2003

US$ millions	The Philippines	Indonesia *(Restated)*	A discontinued operation[i]	Head Office	2003 Total *(Restated)*
Segment revenue – turnover	71.7	2,090.1	–	–	2,161.8
Segment assets	159.8	1,889.4	–	71.8	2,121.0
Associated companies	138.8	2.4	(133.2)	–	8.0
Unallocated assets					84.5
Total assets					2,213.5
Capital expenditure	2.0	70.6	–	–	72.6

(i) *Represents Escotel, a company operating in India which was disposed of by the Group in June 2004.*

2. OPERATING PROFIT

US$ millions	*Notes*	2004	2003 *(Restated)*
OPERATING PROFIT IS STATED AFTER (CHARGING)/CREDITING			
Cost of inventories sold		(1,201.5)	(1,300.8)
Depreciation	*8*	(54.5)	(54.5)
Net exchange losses on monetary items		(33.4)	(10.8)
Cost of services rendered		(31.9)	(31.9)
Operating lease rentals			
– Land and buildings		(12.7)	(11.3)
– Hire of plant and equipment		(1.6)	(1.2)
– Others		(6.0)	(9.5)
Realized losses on short-term investments		(3.3)	(0.7)
Loss on dilution of interests in a subsidiary and an associated company		(3.0)	(3.2)
Amortization of goodwill (included in other operating (expenses)/income, net)	*13*	(1.5)	(1.0)
Doubtful debt provisions		(1.4)	(2.6)
Auditors' remuneration			
– Audit services		(1.4)	(1.0)
– Other services		(0.1)	(0.3)
Gain on disposal of a discontinued operation and divestments, net	*27(A)&(F)*	28.1	–
Unrealized gains on short-term investments		2.2	1.8
Gain/(loss) on sale of property and equipment		1.8	(0.6)
Gain/(loss) on changes in fair value of plantations	*9*	1.7	(25.4)

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

3. NET BORROWING COSTS

US$ millions	**2004**	**2003**
Loan capital wholly repayable within five years	0.5	0.4
Bank loans and other loans		
– wholly repayable within five years	121.6	135.1
– not wholly repayable within five years	4.5	1.9
Subtotal	126.1	137.0
TOTAL BORROWING COSTS	126.6	137.4
Less interest income	(14.7)	(21.6)
NET BORROWING COSTS	111.9	115.8

4. TAXATION

No Hong Kong profits tax (2003: Nil) has been provided as the Group had no estimated assessable profits (2003: Nil) in Hong Kong for the year. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary and associated companies operate.

US$ millions	**2004**	**2003** *(Restated)*
SUBSIDIARY COMPANIES – OVERSEAS		
Current taxation *(Note 19)*	30.6	36.5
Deferred taxation *(Note 24)*	1.6	(9.2)
Subtotal	32.2	27.3
ASSOCIATED COMPANIES – OVERSEAS		
Current taxation	31.7	7.3
Deferred taxation	(6.6)	0.6
Subtotal	25.1	7.9
TOTAL	57.3	35.2

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

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

US$ millions	**2004**	%	**2003** *(Restated)*	%
PROFIT BEFORE TAXATION	236.3		170.2	
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	74.2	31.4	57.1	33.5
Tax effect of:				
– Non-deductible expenses	5.4	2.2	15.3	9.0
– Share of net losses of associated companies	0.1	0.1	2.9	1.7
– Results of operations subjected to income tax holiday	(9.5)	(4.0)	(18.5)	(10.9)
– Income not subject to tax	(6.4)	(2.7)	(24.7)	(14.5)
– Others	(6.5)	(2.8)	3.1	1.9
TAXATION	57.3	24.2	35.2	20.7

5. PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Profit attributable to ordinary shareholders includes US$15.9 million (2003: US$17.3 million) net exchange losses that arose primarily on the translation of the unhedged U.S. dollar denominated borrowings of Indofood and PLDT and US$23.0 million (2003: US$10.4 million) of net non-recurring gains. The net non-recurring gains for 2004 mainly comprise gain on disposal of 49 per cent interest in Escotel of US$17.1 million, gain on disposal of 5.1 per cent interest in Metro Pacific of US$12.2 million, gains of US$1.2 million realized by Metro Pacific from various debt reduction and restructuring exercises, partly offset by PLDT's asset impairment provisions and manpower rightsizing costs of US$4.6 million, whereas 2003's net non-recurring gains comprise gains of US$16.8 million realized by Metro Pacific from various debt reduction and restructuring exercises, partly offset by PLDT's manpower rightsizing costs of US$6.4 million.

ANALYSIS OF EXCHANGE LOSSES

US$ millions	**2004**	**2003**
Exchange losses		
– Subsidiary companies	(33.4)	(10.8)
– Associated companies	(5.4)	(19.8)
Subtotal	(38.8)	(30.6)
Attributable to taxation and outside interests	22.9	13.3
TOTAL	(15.9)	(17.3)

Included within the profit attributable to ordinary shareholders for the year ended 31 December 2004 is a profit of US$134.7 million (2003: loss of US$87.7 million) attributable to the Company.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders for the year of US$134.5 million (2003 restated: US$74.1 million), and the weighted average of 3,186.0 million (2003: 3,186.0 million) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2004 is based on: (i) the profit attributable to ordinary shareholders for the year of US$134.5 million and (ii) a share base equal to the aggregate of the weighted average number of ordinary shares of 3,186.0 million ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 10.2 million ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

A diluted earnings per share amount for the year ended 31 December 2003 has not been disclosed as no diluting events existed during that year.

7. ORDINARY SHARE DIVIDENDS

(A) No interim dividend was paid for 2004 (2003: Nil).

(B) At a meeting held on 14 March 2005, the Directors did not recommend the payment of a final dividend for 2004 (2003: Nil).

8. PROPERTY AND EQUIPMENT

US$ millions	**Land and buildings**	**Machinery, equipment and vessels**	**Consolidated Total**
COST			
At 1 January 2004	288.4	768.5	1,056.9
Exchange translation	(23.1)	(59.1)	(82.2)
Additions	9.9	44.0	53.9
Acquisition of subsidiary companies *(Note 27D)*	8.6	12.2	20.8
Disposals	(4.6)	(3.7)	(8.3)
AT 31 DECEMBER 2004	279.2	761.9	1,041.1
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES			
At 1 January 2004	65.7	291.9	357.6
Exchange translation	(6.3)	(26.9)	(33.2)
Charge for the year	11.6	42.9	54.5
Disposals	(0.1)	(2.1)	(2.2)
AT 31 DECEMBER 2004	70.9	305.8	376.7
NET BOOK AMOUNT AT 31 DECEMBER 2004	208.3	456.1	664.4
Net book amount at 31 December 2003 (Restated)	222.7	476.6	699.3

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

(A) Principal annual rates of depreciation:

Freehold land	Nil
Freehold buildings	2.5% to 20.0%
Leasehold land and buildings	Lesser of period of lease, or 2.0% to 10.0%
Machinery, equipment and vessels	2.5% to 50.0%

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

(C) Property and equipment with a net book amount of US$23.4 million (2003: US$11.7 million) was pledged as security for certain of the Group's banking facilities (Note 22(F)).

9. PLANTATIONS

	Consolidated	
US$ millions	**2004**	**2003**
At 1 January	160.0	175.5
Exchange translation	(14.3)	9.9
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs	1.7	(25.4)
AT 31 DECEMBER	147.4	160.0

Physical measurement of palm trees at 31 December are as follows.

	Consolidated	
Hectares	**2004**	**2003**
Mature plantations	53,542	52,816
Immature plantations	898	1,624
TOTAL	54,440	54,440

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

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

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

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

(D) A discount rate of 21.7% (2003: 19.6%), which represents the weighted average cost of capital for Indofood's plantation operation, was applied in the net present value calculation.

During 2004, Indofood's palm trees produced 1.4 million tons (2003: 1.3 million tons) of FFB. The fair value of FFB harvested during 2004, determined at the point of harvest, amounted to US$112.8 million (2003: US$99.7 million).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

10. SUBSIDIARY COMPANIES

US$ millions	Company 2004	Company 2003
Unlisted shares at cost	1,115.6	1,115.6
Less provision for impairment loss	(421.4)	(243.1)
TOTAL	694.2	872.5

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

(A) Amounts due from subsidiary companies are unsecured, interest-bearing at a range of zero per cent to 5.0 per cent per annum (2003: zero per cent to 4.3 per cent per annum) and not repayable within one year.

(B) Amounts due to subsidiary companies are unsecured, interest-bearing at a range of zero per cent to 8.4 per cent per annum (2003: zero per cent to 8.4 per cent per annum) and not repayable within one year.

(C) Details of principal subsidiary companies which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on page 74.

(D) Metro Pacific group contribute to the Group's property and transportation business segment (refer to Note 1) and has continued to incur losses in 2004. Since the fourth quarter of 2001, it has been unable to meet its debt repayment obligations. Metro Pacific's ability to continue as a going concern is dependent on a number of factors, which includes its ability to settle or restructure its debt obligations, the availability of refinancing of debts and the success of its plan to revitalize its business and generate sufficient cash flows to ensure sustained and profitable operations. Metro Pacific had successfully reduced its parent company debt obligations to Pesos 1.3 billion (US$23.2 million) as of 31 December 2004 from Pesos 11.7 billion (US$208.4 million) as of 31 December 2001 when the debt reduction program was commenced. Metro Pacific anticipates it will further reduce its parent company debts to approximately Pesos 350 million (US$6.2 million) by the end of 2005.

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

11. ASSOCIATED COMPANIES

US$ millions	Consolidated 2004	Consolidated 2003
Shares at cost or valuation		
– Listed	559.0	559.0
– Unlisted	22.0	71.8
Share of post acquisition reserves	104.7	(42.8)
Goodwill on acquisitions of associated companies	(463.1)	(628.4)
Loans to associated companies	12.3	48.4
TOTAL	234.9	8.0

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

(A) At 31 December 2004, the Company does not have any interest in associated company (2003: US$3.1 million unlisted investments, net of provision for impairment losses of US$31.8 million located outside Hong Kong).

(B) At 31 December 2004, both the listed and unlisted investments were located outside Hong Kong.

(C) At 31 December 2004, the market valuation of listed investments was US$1,002.7 million (2003: US$724.2 million) and dividends received and receivable were nil (2003: Nil).

(D) Loans to associated companies are unsecured, interest-free and have no fixed terms of repayment.

(E) Details of the Group's principal associated company, PLDT, which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on page 74.

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

	PLDT	
US$ millions	**2004**	**2003**
OPERATING RESULTS		
Turnover	2,053.7	1,850.0
Profit before taxation	520.4	245.4
Profit after taxation	416.9	212.9
Net profit	418.2	211.2
NET ASSETS		
Current assets	834.7	866.9
Long-term assets	4,228.5	3,613.5
TOTAL ASSETS	5,063.2	4,480.4
Current liabilities	(1,016.8)	(879.6)
Long-term liabilities and provisions	(3,176.3)	(3,116.7)
TOTAL LIABILITIES	(4,193.1)	(3,996.3)
Outside interests	(16.1)	(14.0)
AT 31 DECEMBER	854.0	470.1

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

(H) The Group disposed of its entire 49.0 per cent interest in Escotel in June 2004.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

12. LONG-TERM RECEIVABLES AND PREPAYMENTS

US$ millions	Consolidated 2004	2003
Currency swap assets, net	130.1	136.1
Assets not yet used in operation	59.9	12.5
Claims for tax refund	34.3	25.6
Advances and deposits for purchases	14.6	55.7
Others	46.8	67.6
Subtotal	285.7	297.5
Less current portion included in accounts receivable, other receivables and prepayments	(16.5)	(49.5)
TOTAL	269.2	248.0

The currency swap assets (net) relate to Indofood's hedging program.

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

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

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

Others mainly represent amounts arising from Indofood's provision for technical and management services and loans to affiliated companies.

13. GOODWILL

US$ millions	Consolidated 2004	2003
COST		
At 1 January	19.7	19.7
Additions		
– balance of subsidiary companies acquired *(Note 27D)*	2.1	–
– on acquisition of subsidiary companies *(Note 27D)*	6.9	–
– on increased investments in subsidiary companies *(Note 27E)*	10.7	–
AT 31 DECEMBER	39.4	19.7
ACCUMULATED AMORTIZATION		
At 1 January	1.4	0.4
Charge for the year	1.5	1.0
AT 31 DECEMBER	2.9	1.4
NET BOOK AMOUNT AT 31 DECEMBER	36.5	18.3

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

14. SHORT-TERM INVESTMENTS

US$ millions		Consolidated 2004	2003
Listed outside Hong Kong	– equity securities	19.6	6.7
	– debt securities	1.8	55.7
Subtotal		21.4	62.4
Unlisted outside Hong Kong	– equity securities	11.5	13.9
	– debt securities	–	0.7
Subtotal		11.5	14.6
TOTAL		32.9	77.0

15. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

Included in accounts receivable, other receivables and prepayments are trade receivables of US$170.3 million (2003: US$227.1 million), with an aged profile as below.

US$ millions	Consolidated 2004	2003
0 to 30 days	145.5	192.2
31 to 60 days	6.0	13.7
61 to 90 days	12.2	6.5
Over 90 days	6.6	14.7
TOTAL	170.3	227.1

Indofood allows sub-distributors/wholesalers 60 days of credit, and other customers between 15-60 days of credit. Metro Pacific collects contract receivables related to property sales by installments over periods ranging between one to five years. The current portion of which is included above.

16. INVENTORIES

US$ millions	Consolidated 2004	2003
Raw materials	161.1	152.2
Work in progress	6.1	8.2
Finished goods	81.0	106.2
Properties held for sale	35.5	56.7
Less provisions	(2.3)	(13.7)
TOTAL	281.4	309.6

At 31 December 2004, the carrying amount of inventories carried at net realizable value amounted to US$35.0 million (2003: US$44.2 million).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

Principal properties held by Metro Pacific and Landco for sale are included in Properties Held for Sale at 31 December 2004:

Location in the Philippines	Approximate gross development area (sq.m.) [(i)]	Group's economic interest (%)	Type	Status	Estimated completion date
Batulao, Batangas	2,107,050	46.1	R	Planning	–
Lemery, Batangas	671,892	38.5	F	Under construction	2005
Punta Fuego 1, Batangas	455,238	21.2	R, Ro	Under construction	2005
Stonecrest, San Pedro, Laguna	297,986	19.6	R	Under construction	2005
Talisay, Cebu	274,591	18.9	R	Under construction	2005
Punta Fuego 2, Batangas	264,521	13.6	R, Ro, F	Under construction	2005
Legaspi City, Albay	36,602	18.9	C	Under construction	2005
Lucena City, Quezon	40,706	64.9	R	Completed	–
Pacific Plaza Towers	4,851	75.5	R	Completed	–

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

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

17. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

Included in accounts payable, other payables and accruals are trade payables of US$145.1 million (2003: US$213.7 million), with an aged profile as below.

	Consolidated	
US$ millions	**2004**	**2003**
0 to 30 days	121.2	188.7
31 to 60 days	7.4	8.2
61 to 90 days	5.6	3.5
Over 90 days	10.9	13.3
TOTAL	145.1	213.7

18. SHORT-TERM BORROWINGS

	Consolidated	
US$ millions	**2004**	**2003**
Bank loans		
– Secured	11.1	17.2
– Unsecured	123.1	98.9
Subtotal	134.2	116.1
Current portion of loan capital and long-term borrowings *(Note 22)*	154.7	91.3
TOTAL	288.9	207.4

None (2003: None) of the debt has an original maturity of less than 90 days.

Details of the Group's pledge of assets are set out in Note 22(F) to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

19. PROVISION FOR TAXATION

	Consolidated	
US$ millions	**2004**	**2003**
At 1 January	36.8	26.6
Exchange translation	(4.2)	1.3
Acquisition of subsidiary companies *(Note 27(D))*	0.6	–
Disposal of subsidiary companies	–	(0.2)
Provision for taxation on estimated assessable profits for the year *(Note 4)*	30.6	36.5
Transfer from deferred taxation *(Note 24)*	3.9	0.2
TOTAL	67.7	64.4
Tax paid	(41.5)	(27.6)
AT 31 DECEMBER	26.2	36.8

20. SHARE CAPITAL

	Consolidated and Company	
US$ millions	**2004**	**2003**
Authorized		
5,000,000,000 ordinary shares of U.S. 1 cent each	50.0	50.0
Issued and fully paid		
3,185,993,003 ordinary shares of U.S. 1 cent each	31.9	31.9

Details of the Company's share option scheme are set out in Note 31(C) to the Financial Statements.

21. OUTSIDE INTERESTS

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

	Consolidated	
	2004	**2003**
US$ millions		*(Restated)*
Indofood	337.0	348.8
Metro Pacific	28.1	27.9
TOTAL	365.1	376.7

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

22. LOAN CAPITAL AND LONG-TERM BORROWINGS

US$ millions	*Notes*	Consolidated 2004	Consolidated 2003
SECURED LOANS			
Bank loans	*(A)*	49.3	109.5
Other loans	*(B)*	121.8	124.0
Subtotal		171.1	233.5
UNSECURED LOANS			
Loan capital			
– Convertible notes	*(C)*	3.3	6.4
– Convertible preferred shares	*(D)*	1.3	4.0
Bank loans		79.6	194.6
Other loans	*(E)*	660.6	608.7
Subtotal		744.8	813.7
Total loan capital and long-term borrowings		915.9	1,047.2
Less current portion included in short-term borrowings *(Note 18)*		(154.7)	(91.3)
TOTAL		761.2	955.9

The maturity profile of the Group's loan capital and long-term borrowings is as follows:

	Loan capital		Bank loans		Other loans		Consolidated Total	Consolidated Total
US$ millions	2004	2003	2004	2003	2004	2003	2004	2003
Not exceeding one year	4.6	10.4	37.9	73.7	112.2	7.2	154.7	91.3
More than one year but not exceeding two years	–	–	67.0	86.5	115.8	123.1	182.8	209.6
More than two years but not exceeding five years	–	–	15.8	101.3	545.5	602.0	561.3	703.3
More than five years	–	–	8.2	42.6	8.9	0.4	17.1	43.0
TOTAL	4.6	10.4	128.9	304.1	782.4	732.7	915.9	1,047.2
Representing amounts repayable								
– wholly within five years	4.6	10.4	120.7	260.5	773.5	732.3	898.8	1,003.2
– not wholly within five years	–	–	8.2	43.6	8.9	0.4	17.1	44.0
TOTAL	4.6	10.4	128.9	304.1	782.4	732.7	915.9	1,047.2

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

Bank and other loans are repayable in various annual installments at a weighted average annual rate of interest of 13.1 per cent (2003: 12.6 per cent). Details of loan capital and long-term borrowings are set out below.

(A) Secured Bank Loans

Include a US$32.0 million bank loan (which represents the original amount borrowed in 2003 of US$55.0 million less US$23.0 million of partial repayment made during 2004) secured on the Group's 3.2 per cent (2003: 14.0 per cent) interest in PLDT, subject to a variable LIBOR (London Inter-bank Offer Rates) based interest rate (which has been swapped into fixed rate at 7.16 per cent per annum) and was fully repaid on 11 March 2005.

(B) Secured Other Loans

Include US$112.6 million of bonds (net of US$0.4 million unamortized issuance discount) issued by CAB Holdings Limited (CAB), a wholly-owned subsidiary of the Company. These bonds were issued by CAB, on 29 July 2003, totaling US$115.0 million, bear interest at 8.25 per cent payable six monthly in arrears, mature on 29 July 2006 at their aggregate principal amount and are secured by the Group's 51.5 per cent (2003: 51.5 per cent) interest in Indofood held by CAB and, subject to certain limitations and conditions, are guaranteed by the Company. During 2003, one of the Company's wholly-owned subsidiary company repurchased US$2.0 million face value of the bonds. The repurchased US$2.0 million bonds were canceled in 2004.

(C) Convertible Notes

Issued by Metro Pacific totaling Pesos 1.5 billion (US$26.7 million) during September and October 1999, these notes were due for redemption, at a premium of 8.7 per cent of the par value, in September and October 2002. At 31 December 2004, Pesos 187.0 million (US$3.3 million) of these notes, together with the related redemption premium of Pesos 16.3 million (US$0.3 million), remained outstanding. The redemption premium was included in the current portion of deferred liabilities and provisions under Accounts payable, other payables and accruals.

(D) Convertible Preferred Shares

Issued by Metro Pacific totaling Pesos 720.0 million (US$12.8 million) on 23 July 1999, these preferred shares were due for redemption, with a cumulative yield of 15 per cent, in July 2002. At 31 December 2004, Pesos 73.8 million (US$1.3 million) of these preferred shares, together with the related redemption premium of Pesos 11.1 million (US$0.2 million), remained outstanding. The redemption premium was included in the current portion of deferred liabilities and provisions under Accounts payable, other payables and accruals.

(E) Unsecured Other Loans

Principally include the following bonds issued by Indofood:

(i) Rupiah 1.0 trillion (US$107.6 million) of Rupiah bonds issued in July 2000, with a coupon rate of 16.0 per cent, payable quarterly, and mature in July 2005;

(ii) US$278.6 million five-year Euro bonds (net of US$1.4 million unamortized issuance discount) issued in June 2002, with a coupon rate of 10.375 per cent, payable semi-annually, and mature in June 2007;

(iii) Rupiah 1.5 trillion (US$161.5 million) of Rupiah bonds issued in June 2003, with a coupon rate of 13.5 per cent, payable quarterly, and mature in June 2008; and

(iv) Rupiah 1.0 trillion (US$107.6 million) of Rupiah bonds issued in July 2004, with a coupon rate of 12.5 per cent, payable quarterly, and mature in July 2009.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

(F) Pledge of Assets

At 31 December 2004, certain bank and other borrowings were secured by the Group's property and equipment, accounts receivable and inventories equating to a net book value of US$44.8 million (2003: US$75.8 million). Apart from these, the Head Office's US$32.0 million bank loan and US$112.6 million bonds, as described in Notes (A) and (B) above, were secured by the Group's 3.2 per cent and 51.5 per cent interests in PLDT and Indofood, respectively.

23. DEFERRED LIABILITIES AND PROVISIONS

					Consolidated	
US$ millions	**Deferred income**	**Long-term payables**	**Pension**	**Others**	**Total 2004**	**Total 2003**
At 1 January	30.3	11.9	43.7	36.0	121.9	162.2
Exchange translation	–	(0.4)	(3.7)	(0.1)	(4.2)	(1.1)
Additions	–	2.4	2.4	4.6	9.4	23.2
Reclassification[i]	–	19.1	–	–	19.1	–
Payment and utilization	(2.0)	(0.4)	(1.5)	(24.2)	(28.1)	(51.5)
Disposal of subsidiary companies	–	–	–	–	–	(10.9)
Subtotal	28.3	32.6	40.9	16.3	118.1	121.9
Less current portion included in accounts payable, other payables and accruals	(1.3)	(9.2)	(0.3)	(7.3)	(18.1)	(33.2)
AT 31 DECEMBER	27.0	23.4	40.6	9.0	100.0	88.7

(i) Reclassified from Accounts payable, other payables and accruals.

Deferred income relates to upfront service fee received by Asia Link B.V. (ALBV), a wholly-owned subsidiary of the Company, from Smart in respect of their arrangement for Service Agreement (Note 32(C)) and the unrealized gross profit arising on property sales.

Long-term payables relate to liabilities for property development and payables of Nenaco, which was reclassified from Accounts payable, other payables and accruals following the Manila Regional Trial Court's approval of Nenaco's corporate rehabilitation program.

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

Others mainly relates to provisions for warranty claims.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

24. DEFERRED TAX

The movement in deferred tax assets and liabilities during the year is as follows:

	Consolidated	
US$ millions	**2004**	**2003** *(Restated)*
DEFERRED TAX ASSETS		
At 1 January	7.5	9.6
Exchange translation	(2.1)	–
Disposal of subsidiary companies	–	(12.4)
(Charge)/credit to profit and loss *(Note 4)*	(1.3)	14.8
Transfer (to)/from provision for taxation *(Note 19)*	(0.3)	0.5
Reclassification	2.0	(5.0)
AT 31 DECEMBER	5.8	7.5
DEFERRED TAX LIABILITIES		
At 1 January	(117.0)	(117.5)
Exchange translation	9.5	(6.2)
Acquisition of subsidiary companies *(Note 27D)*	(3.4)	–
Increased investments in subsidiary companies	(0.9)	–
Disposal of subsidiary companies	–	17.1
Charge to profit and loss *(Note 4)*	(0.3)	(5.6)
Transfer to/(from) provision for taxation *(Note 19)*	4.2	(0.3)
Reclassification	(2.0)	(4.5)
AT 31 DECEMBER	(109.9)	(117.0)

An analysis by major components of deferred tax assets and liabilities is as follows.

	Consolidated	
US$ millions	**2004**	**2003** *(Restated)*
DEFERRED TAX ASSETS		
Tax loss carry forward	3.7	7.9
Allowance for doubtful accounts	0.9	1.4
Others	1.2	(1.8)
TOTAL	5.8	7.5
DEFERRED TAX LIABILITIES		
Depreciation of property and equipment	(76.6)	(73.9)
Changes in fair value of plantations	(38.4)	(41.9)
Withholding tax on undistributed earnings of subsidiary and associated companies	(4.1)	(9.3)
Others	9.2	8.1
TOTAL	(109.9)	(117.0)

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

At 31 December 2004, tax losses available to reduce future income tax, arising in the entities to which they relate, amounted to US$29.5 million (2003: US$25.0 million) in respect of non-Hong Kong tax losses, and US$40.7 million (2003: US$40.7 million) in respect of Hong Kong tax losses. No deferred tax assets have been recognized in respect of these losses as they have arisen in subsidiary companies that have been loss-making for some time. Except for this, deferred tax assets has been properly recognized.

25. RESERVES

An analysis of the exchange reserve by principal operating company is set out below.

	Consolidated	
US$ millions	**2004**	**2003** *(Restated)*
PLDT	(50.4)	(51.5)
Indofood	(11.6)	12.6
Escotel	–	34.0
Others	2.2	1.5
TOTAL	(59.8)	(3.4)

An analysis of the goodwill reserve, eliminated against revenue reserve, by principal operating company is set out below.

	Consolidated	
US$ millions	**2004**	**2003** *(Restated)*
PLDT	(463.1)	(465.0)
Indofood	(294.1)	(294.2)
Escotel	–	(163.4)
TOTAL	(757.2)	(922.6)

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

	Consolidated	
US$ millions	**2004**	**2003**
Revenue reserve	155.1	(25.3)
Exchange reserve	(50.4)	(17.5)
TOTAL	104.7	(42.8)

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

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

26. PRIOR YEAR ADJUSTMENTS

In 2004, the Group changed its accounting policy in respect of the accounting for plantations pursuant to SSAP 36. Details of the requirements of this new accounting standard are summarized in the Principal Accounting Policies section on page 29.

Pursuant to the new accounting standard, the changes have been applied retrospectively and their impact on figures reported for prior years is summarized as follows.

US$ millions	As previously reported For the year ended 31 December 2003	Restatement	As restated For the year ended 31 December 2003
PROFIT AND LOSS STATEMENT			
Operating profit	246.4	(25.4)	221.0
Profit after taxation	152.8	(17.8)	135.0
Profit attributable to ordinary shareholders	81.5	(7.4)	74.1

US$ millions	As previously reported At 31 December 2003	Restatement	As restated At 31 December 2003
BALANCE SHEET			
Total assets	2,073.8	139.7	2,213.5
Total liabilities	1,743.8	41.9	1,785.7
Shareholders' equity	10.7	40.4	51.1
Outside interests	319.3	57.4	376.7

The adoption of SSAP36 had no significant impact on figures reported in prior years' cash flow statements.

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(A) Divestments of Subsidiary Companies

US$ millions	Metro Pacific	Landco, Inc.	Total 2004
Net inflow of cash and cash equivalents per consolidated cash flow statement	8.0	1.1	9.1
Exchange reserve reinstated	0.1	–	0.1
Net liabilities/(assets) disposed of	4.1	(2.3)	1.8
TOTAL	12.2	(1.2)	11.0
Group's share	12.2	(0.9)	11.3
Outside interests' share	–	(0.3)	(0.3)
TOTAL GAIN/(LOSS) ON DIVESTMENTS	12.2	(1.2)	11.0

During September and October 2004, the Group disposed of 5.1 per cent interest in Metro Pacific which resulted in a reduction in the Group's interest in Metro Pacific from 80.6 per cent to 75.5 per cent.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

In September 2004, Metro Pacific disposed of its 10.33 per cent interest in Landco, Inc., which resulted in a reduction in Metro Pacific's interest in Landco, Inc. from 61.33 per cent to 51.0 per cent.

(B) Disposal of Subsidiary Companies

In December 2004, Metro Pacific disposed of its 34.2 per cent interest in Prime Media Holdings, Inc. (PMH) for a consideration of Pesos 2.5 million (US$0.04 million). As a result of this transaction, Metro Pacific's interest in PMH reduced from 83.2 per cent to 49.0 per cent. Accordingly, PMH was reclassified from a subsidiary company to an associated company. The 2003 net cash inflow from disposal of subsidiary companies of US$75.3 million relates to Metro Pacific's assignment of 50.4 per cent controlling interest in Bonifacio Land Corporation (BLC) (which reduced Metro Pacific's interest in BLC from 72.9 per cent to 22.5 per cent).

(C) Deposits for Acquisition and Increased Investments in Subsidiary Companies

The cash outflow of US$39.1 million represents Indofood's deposits for acquiring convertible bonds issued by PT Bina Makna Indopratama and the acquisition of two oil palm plantation companies.

(D) Acquisition of Subsidiary Companies

US$ millions	**2004 Indofood's acquisition of Perfect Wealth Investments Limited and its subsidiary company (Perfect Wealth)**
CONSIDERATION	
Cash and cash equivalents	28.4
NET ASSETS	
Property and equipment *(Note 8)*	20.8
Long-term receivables and prepayments	0.7
Goodwill *(Note 13)*	2.1
Cash and cash equivalents	2.8
Accounts receivable, other receivables and prepayments	8.5
Inventories	5.8
Accounts payable, other payables and accruals	(6.4)
Short-term borrowings	(1.1)
Provision for taxation *(Note 19)*	(0.6)
Deferred tax liabilities *(Note 24)*	(3.4)
Outside interests	(7.7)
TOTAL NET ASSETS ACQUIRED AT FAIR VALUE	21.5
GOODWILL *(NOTE 13)*	6.9
NET OUTFLOW OF CASH AND CASH EQUIVALENTS PER CONSOLIDATED CASH FLOW STATEMENT	25.6

The subsidiary companies acquired during the year, Perfect Wealth, had net cash outflows from operating activities of US$0.4 million in 2004 and paid US$0.3 million in respect of financing activities.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

(E) Increased Investments in Subsidiary Companies

The cash outflows of US$16.9 million principally represents Indofood's increased interest in its food seasonings subsidiary company, PT Indosentra Pelangi, from 70.0 per cent to 92.2 per cent.

US$ millions	**PT Indosentra Pelangi**	**Others**	**Total 2004**
CONSIDERATION			
Cash and cash equivalents	16.7	0.2	16.9
TOTAL CONSIDERATION	16.7	0.2	16.9
Net assets acquired	6.0	0.2	6.2
GOODWILL *(Note 13)*	10.7	–	10.7

(F) A Discontinued Operation

The cash inflow from investing activities for a discontinued operation in 2004 relates to the disposal of Escotel and is analyzed as follows:

US$ millions	**Escotel**
Share of net liabilities disposed of	(131.8)
Goodwill reinstated from reserves	163.4
Exchange reserve reinstated	(33.7)
Gain on disposal *(Note 28)*	17.1
NET INFLOW OF CASH AND CASH EQUIVALENTS PER CONSOLIDATED CASH FLOW STATEMENT *(Note 28)*	15.0

The cash outflow from investing activities for a discontinued operation of US$16.7 million in 2003 represents the Group's additional loans to Escotel.

(G) Restricted Cash and Pledged Deposits

At 31 December 2004, the Group had US$9.2 million (2003: US$20.4 million) of cash which was restricted as to use. Included in such amount, US$4.5 million (2003: US$15.7 million) is expected to be released during 2005 and, accordingly, classified as current assets.

(H) Major Non-cash Transaction

During the year, Metro Pacific settled approximately Pesos 2.8 billion (US$49.9 million) of borrowings through the transfer of properties and other assets to its creditors.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

28. A DISCONTINUED OPERATION

Date of disposal	**Associated company**	**Percentage held** *(%)*	**Percentage sold** *(%)*	**Consideration** *US$m (Note 27(F))*	**Gain on disposal** *US$m (Note 27(F))*
June 2004	Escotel	49.0	49.0	15.0	17.1

Escotel is based in New Delhi, India and provides GSM cellular telephone services in Uttar Pradesh (West), Haryana and Kerala.

The results, cash flows and assets of Escotel attributable to the Group were as follows.

US$ millions	**2004**	**2003**
PROFIT AND LOSS		
Share of profits less losses of associated companies	1.7	(6.3)
PROFIT/(LOSS) AFTER TAXATION FOR THE YEAR	1.7	(6.3)
CASH FLOW		
NET INVESTING CASH INFLOW/(OUTFLOW) FOR THE YEAR	15.0	(16.7)
ASSETS		
SHARE OF NET LIABILITIES AT 31 DECEMBER	–	(133.2)

29. COMMITMENTS AND CONTINGENT LIABILITIES

(A) Capital Expenditure

	Consolidated	
US$ millions	**2004**	**2003**
Commitments in respect of subsidiary companies:		
Authorized, but not contracted for	19.1	6.7
Contracted, but not provided for	9.1	10.0
TOTAL	28.2	16.7

Capital expenditure commitments principally relate to Indofood's purchase of machinery and equipment.

The Company has no commitments in respect of capital expenditures (2003: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

(B) Leasing Commitments

At 31 December 2004, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows.

US$ millions	Consolidated 2004	2003
LAND AND BUILDINGS		
– Within one year	2.1	6.8
– Between two and five years inclusive	7.0	2.4
– After five years	1.0	0.5
Subtotal	10.1	9.7
HIRE OF PLANT AND EQUIPMENT AND OTHERS		
– Within one year	0.5	7.5
– Between two and five years inclusive	1.3	7.2
– After five years	0.2	–
Subtotal	2.0	14.7
TOTAL	12.1	24.4

At 31 December 2004, the Company did not have any leasing commitments (2003: Nil).

(C) Contingent Liabilities

The Company's US$82.4 million guarantee in respect of credit facilities extended to Escotel was released upon the disposal of Escotel in June 2004. At 31 December 2004, neither the Group nor the Company had any significant contingent liabilities.

30. EMPLOYEE INFORMATION

(A) Remuneration

US$ millions	Consolidated 2004	2003
Basic salaries	141.2	125.2
Bonuses	19.4	19.8
Benefits in kind	21.0	30.1
Pension contributions	7.7	6.5
TOTAL	189.3	181.6
AVERAGE NUMBER OF EMPLOYEES	48,110	45,842

The above includes the remuneration of Directors. Detailed disclosures in respect of Directors' remuneration are set out in Note 31(A).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

(B) Retirement Benefits

The Group operates both defined contribution and defined benefit schemes covering approximately 24,653 (2003: 23,640) employees.

(i) Defined Contribution Schemes

The Group operates six (2003: six) defined contribution schemes covering approximately 23,469 (2003: 22,354) employees. The assets of these schemes are held separately from the Group and are administered by independent trustees. Contributions to the schemes, either by the Group or by the employees, are determined by reference to the employees' salaries and length of service and range from zero per cent to 10 per cent (2003: zero per cent to 10 per cent). Under the terms of the schemes, the Group cannot be requested to make additional payments over and above these levels of contributions. In three (2003: three) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2004, no amounts (2003: US$0.1 million) were used for this purpose. At 31 December 2004, the forfeited contributions had been fully utilized.

(ii) Defined Benefit Schemes

The Group operates two (2003: two) defined benefit schemes covering approximately 1,184 (2003: 1,286) employees. The assets of these schemes are held separately from the Group and are administered by independent trustees. Benefits are determined by reference to employees' final salaries and length of service, and the schemes have undergone independent valuations. These actuarial valuations, performed by PT Jasa Aktuaria Praptasentosa Gunajasa's actuary (a member of Fellow Society of Actuary of Indonesia and Expert in Life Insurance in Indonesia) and Actuarial Advisers, Inc. (a member of Actuarial Society of the Philippines), were based on the projected unit credit method. The plan assets do not include any financial instruments of the Group or property occupied by, or other assets used by, the Group.

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

	Consolidated	
US$ millions	**2004**	**2003**
Present value of defined benefit obligations	9.0	11.0
Fair value of plan assets	(6.4)	(6.8)
LIABILITY IN BALANCE SHEET	2.6	4.2

The movement of defined benefit liability during the year is as follows.

	Consolidated	
US$ millions	**2004**	**2003**
At 1 January	4.2	4.4
Exchange translation	(0.2)	0.1
Net pension scheme cost recognized in the profit and loss statement	1.0	1.9
Payment	(2.4)	(2.2)
AT 31 DECEMBER	2.6	4.2

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

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

	Consolidated	
US$ millions	**2004**	**2003**
Current service cost	0.4	2.2
Past service cost	0.5	–
Expected return on plan assets	(0.7)	(0.5)
Net actuarial losses recognized in the year	0.8	0.2
TOTAL INCLUDED IN EMPLOYEE REMUNERATION	1.0	1.9
ACTUAL RETURN ON PLAN ASSETS	9%	8%

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

	Consolidated	
	2004	**2003**
Discount rate	9%	9%
Expected return on plan assets	9%	9%
Future salary increases	6%	13%
Future pension increases	6%	13%
Average remaining working lives of employees (years)	12	12

(C) Loans to Officers

During 2004 and 2003, there were no loans made by the Group to officers which require disclosure pursuant to Section 161B of the Hong Kong Companies Ordinance.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

31. DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

The remuneration of the Directors and senior executives, as disclosed in Notes (A) and (B), exclude the benefits arising from the exercise of share options.

(A) Directors' Remuneration

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

DIRECTORS' REMUNERATION – 2004

	Non-performance based						
US$ thousands	Salary	Other benefits	Pension contributions	Performance based payments[i]	Fees[ii]	Emoluments[iii]	2004 Total
CHAIRMAN							
Anthoni Salim	–	–	–	–	–	–	–
EXECUTIVE DIRECTORS							
Manuel V. Pangilinan (Managing Director and Chief Executive Officer)	1,480	189	76	1,003	–	–	2,748
Edward A. Tortorici	837	128	261	1,169	–	–	2,395
Robert C. Nicholson	749	2	1	375	–	–	1,127
NON-EXECUTIVE DIRECTORS							
His Excellency Albert F. del Rosario (reappointed as Non-executive Director on 24 May 2004)	–	26	–	–	25	–	51
Sutanto Djuhar	–	–	–	–	–	–	–
Tedy Djuhar	–	–	–	–	–	–	–
Ibrahim Risjad	–	–	–	–	–	–	–
Benny S. Santoso	–	–	–	–	–	–	–
INDEPENDENT NON-EXECUTIVE DIRECTORS							
Graham L. Pickles (appointed on 24 May 2004)	–	–	–	–	55	–	55
Edward K.Y. Chen, GBS, CBE, JP	–	–	–	–	55	–	55
David W.C. Tang, OBE, Chevallier de L'Ordre des Arts et des Lettres	–	–	–	–	35	77	112
TOTAL	3,066	345	338	2,547	170	77	6,543

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

DIRECTORS' REMUNERATION – 2003

US$ thousands	Non-performance based Salary	Other benefits	Pension contributions	Compensation for contract severance	Performance based payments[i]	Fees[ii]	Emoluments[iii]	2003 Total
CHAIRMAN								
Anthoni Salim	–	–	–	–	–	–	–	–
EXECUTIVE DIRECTORS								
Manuel V. Pangilinan (Managing Director and Chief Executive Officer)	871	186	38	–	849	–	–	1,944
Edward A. Tortorici	750	73	2,075	–	383	–	–	3,281
Robert C. Nicholson (assumed the role of Executive Director with effect from 27 November 2003)	54	2	–	–	–	–	–	56
Michael J. A. Healy (resigned on 29 May 2003)	214	121	9	657	385	–	–	1,386
Ronald A. Brown (resigned on 29 May 2003)	349	286	10	2,395	59	–	–	3,099
NON-EXECUTIVE DIRECTORS								
Sutanto Djuhar	–	–	–	–	–	–	–	–
Tedy Djuhar	–	–	–	–	–	–	–	–
Ibrahim Risjad	–	–	–	–	–	–	–	–
Benny S. Santoso (appointed on 2 June 2003)	–	–	–	–	–	–	–	–
INDEPENDENT NON-EXECUTIVE DIRECTORS								
Robert C. Nicholson (appointed as Independent Non-executive Director on 2 June 2003)	–	–	–	–	–	–	215	215
Edward K.Y. Chen, GBS, CBE, JP	–	–	–	–	–	33	–	33
David W.C. Tang, OBE, Chevallier de L'Ordre des Arts et des Lettres	–	–	–	–	–	25	77	102
His Excellency Albert F. del Rosario (appointed on 2 June 2003)	–	–	–	–	–	10	–	10
TOTAL	2,238	668	2,132	3,052	1,676	68	292	10,126

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

(ii) *For meetings attended.*

(iii) *For consultancy services provided to the Company.*

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

Included within total Directors' remuneration is an amount of US$0.9 million (2003: US$1.9 million) paid or reimburseable by PLDT, an associated company, in respect of the services of the Managing Director and Chief Executive Officer.

(B) Senior Executives' Remuneration

As similar remuneration schemes operate for the senior executives of the Group, their remuneration may exceed that of the Company's Directors. Two (2003: One) senior executives were among the Group's five highest earning employees. The remaining three (2003: four), of the five highest earning employees, are the Company's Directors.

US$ millions	**2004**	**2003**
Non-performance based		
– Salary and benefits	0.6	0.5
Performance based		
– Bonus and long-term monetary incentive awards	0.3	0.7
TOTAL	0.9	1.2

The table below shows the remuneration of the two (2003: one) senior executives who were among the Group's five highest earning employees in 2004.

Remuneration bands	**2004 Number**	**2003 Number**
US$381,001 – US$445,000	1	–
US$445,001 – US$509,000	1	–
US$1,149,001 – US$1,213,000	–	1
TOTAL	2	1

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

(C) Share Options

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 2004 are set out below.

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

COMPANY	Share options held at 1 January 2004	Share options granted during the year	Share options held at 31 December 2004	Share options exercise price *(HK$)*	Market price at date of grant *(HK$)*	Grant date	Fully vested by	Exercisable from	Exercisable until
EXECUTIVE DIRECTORS									
Manuel V. Pangilinan	–	31,800,000	31,800,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
Edward A. Tortorici	–	31,800,000	31,800,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
Robert C. Nicholson	–	24,500,000	24,500,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
NON-EXECUTIVE DIRECTORS									
His Excellency Albert F. del Rosario	–	2,840,000	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
Benny S. Santoso	–	2,840,000	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
INDEPENDENT NON-EXECUTIVE DIRECTORS									
Graham L. Pickles	–	2,840,000	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
Edward K.Y. Chen, GBS, CBE, JP	–	2,840,000	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
David W.C. Tang, OBE, Chevallier de L'Ordre des Arts et des Lettres	–	2,840,000	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
SENIOR EXECUTIVES	–	32,286,000	32,286,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
TOTAL	–	134,586,000	134,586,000						

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

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

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

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

On 1 June 2004, 134,586,000 share options under the Company's Scheme were granted. In accordance with paragraph 17.08 of the Listing Rules, the Company is disclosing the value of the options granted under the Scheme. The average fair values of options granted as calculated by Watson Wyatt Hong Kong Limited, based on the binomial model, was HK$0.849 or an aggregate value of US$14.6 million for all options granted. The assumptions used were as follows:

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

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

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

Details of the Group's accounting policy in respect of share options granted are set out in Note Q(iii) of the Principal Accounting Policies section on page 37.

During the year, no share options in respect of the Scheme have been exercised as the options are only exercisable from June 2005 onwards.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

(ii) Particulars of Indofood's Share Option Scheme

INDOFOOD	Share options held at 1 January 2004	Share options granted during the year	Share options exercised during the year	Share options canceled during the year	Share options held at 31 December 2004	Share options exercise price (Rupiah)	Market price at date of grant (Rupiah)	Market price at date of exercise (Rupiah)	Grant date	Exercisable from	Exercisable until
QUALIFIED EMPLOYEES	–	228,900	(1,839)	(227,061)	–	412,500	400,000	337,500 to 412,500	7 January 2004	January 2004	May 2004

On 16 May 2001, Indofood established an Employee Stock Ownership Program (ESOP), which is to be implemented in three phases ending on 15 May 2004, for appreciation purposes. Under this program, certain persons who have been employees, including senior executives and employees cooperatives, of Indofood for a minimum of one year are entitled to receive non-transferable options to purchase Indofood's common shares with a par value of Rupiah 100 each, exercisable in the relevant period up to 15 May 2004. The program has authorized the granting of up to 915,600 options to purchase 500 common shares each, representing in aggregate 457,800,000 common shares or five per cent of the issued and outstanding share capital of Indofood at 16 May 2001, at an exercise price of Rupiah 825 per share. The exercise price was determined as the average closing price of the Indofood's shares during 25 consecutive trading days prior to 16 May 2001. The options were granted to three groups of employees, namely Group A (Executive Management) with a maximum portion of 48 per cent, Group B (Other Executive Management and staff) with a maximum portion of 50 per cent, and Group C (Employees' Cooperatives) with a maximum portion of two per cent, in each phase. The offer of the grant of options may be accepted by a participant within three days after the qualified employees received the notification. The options are exercisable when they are granted within the relevant ESOP phases. If the consideration is based on loans from Indofood, they must be paid or repaid within three years.

On 15 May 2002, 457,800 options under Phase I of Indofood's ESOP were granted and all of these have been exercised. The market value of Indofood shares at the date of options granted was Rupiah 1,000 per share.

In February 2003, 228,900 options under Phase II of Indofood's ESOP were granted and became rights of the qualified employees. The market value of Indofood shares at the date of options granted was Rupiah 575 per share. During 2003, 58,369,500 shares were issued through the exercise of 116,739 options granted under Phase II of Indofood's ESOP. The remaining 112,161 options were canceled on 15 May 2003 when they expired.

In January 2004, 228,900 options under Phase III (the final phase) of Indofood's ESOP were granted to the qualified employee and a total of 114,450,000 new shares of Indofood are available for subscription by the qualified employees at the exercise price of Rupiah 825 per share. During the year, 919,500 shares were issued through the exercise of 1,839 options granted under Phase III of Indofood's ESOP. The remaining 227,061 options were canceled on 15 May 2004 when they expired.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

(iii) Particulars of Metro Pacific's Share Option Scheme

METRO PACIFIC	Options held at 1 January 2004	Options canceled during the year	Options held at 31 December 2004	Option exercise price (Peso)	Market price at date of grant (Peso)	Grant date	Exercisable from	Exercisable until
SENIOR EXECUTIVES	9,808,471	(791,212)	9,017,259	1.91	2.37	16 April 1995 to 1 August 1995	April 1996 to August 1996	April 2005 to August 2005
	674,236	(674,236)	–	4.38	5.19	16 April 1996	April 1997	April 2006
	10,018,750	(9,703,066)	315,684	3.46	3.57	1 August 1997	August 1997	August 2007
TOTAL	20,501,457	(11,168,514)	9,332,943					

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

The maximum number of shares on which options may be granted may not exceed 10 per cent of the issued share capital of Metro Pacific, excluding any shares issued on the exercise of options, from time to time. At 31 December 2004, the number of shares issuable under share options granted under Metro Pacific's share option scheme was 9,332,943, which represents approximately 0.05 per cent of Metro Pacific's shares in issue at that date. The maximum number of shares in respect of which options may be granted under the scheme to any one participant (including shares issued and issuable to him/her under all the options previously granted to him/her) is limited to 30 per cent of the maximum aggregate number of shares of Metro Pacific subject to the scheme at the time of the proposed grant of options to such participant.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

32. RELATED PARTY TRANSACTIONS

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

(A) Larouge B.V. (Larouge), a wholly-owned subsidiary of the Company, extended a US$90.0 million loan to Metro Pacific in April 2001. The principal amount of the loan was repaid on 17 April 2003. As of 31 December 2003, the outstanding unsecured interest payable from Metro Pacific to Larouge amounted to Pesos 721 million (US$12.8 million).

On 18 December 2003, First Pacific International Limited (FPIL), a wholly-owned subsidiary of the Company, extended a HK$10.0 million (US$1.3 million) loan to Metro Pacific in order to provide Metro Pacific with the cash resources required to meet general working capital requirements. The loan was unsecured, subject to an interest rate of 9.0 per cent per annum and repayable no later than 31 December 2005.

On 21 October 2004, Larouge and FPIL assigned receivables from Metro Pacific totaling Pesos 793.4 million (US$14.1 million) to Mcrae Investment Limited, another wholly-owned subsidiary of the Company. The amount assigned becomes interest-free and securities were created over certain assets of Metro Pacific with a value approximate to the outstanding amount.

(B) On 31 December 2004, Metro Pacific Resources, Inc. (MPRI), a company in which the Company has 100 per cent economic interest, entered into a subscription agreement with Metro Pacific to subscribe not more than Pesos 450 million (US$8.0 million) of Series 1-C Preferred Shares planned to be issued by Metro Pacific before 30 June 2005. MPRI's funding for subscription of such shares came from the proceeds of approximately Pesos 450 million (US$8.0 million) realized from First Pacific's sale of 5.1 per cent aggregate shareholding in Metro Pacific in September and October 2004. The issue of the said preferred shares was made to recapitalize Metro Pacific and designed to rebuild the financial resources required for the future growth of Metro Pacific.

(C) ALBV, a wholly-owned subsidiary of the Company, had a technical assistance agreement with Smart, a wholly-owned subsidiary 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 five years from 23 February 1999, subject to renewal upon mutual agreement between the parties. During 2004, the agreement was renewed for a period of four years from 23 February 2004 with the same terms as the previously expired agreement. The agreement provides for quarterly payments of technical service fees equivalent to one per cent of the net revenues of Smart.

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

Total fees under these arrangements amounted to Pesos 507 million (US$9.0 million) for the year ended 31 December 2004 (2003: Pesos 429 million or US$7.9 million). At 31 December 2004, ALBV had outstanding receivables under these arrangements amounting to Pesos 267 million (US$4.8 million) (31 December 2003: Pesos 228 million or US$4.1 million).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

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

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

Nature of transactions

For the year ended 31 December *US$ millions*	**2004**	**2003**
PROFIT AND LOSS ITEMS		
Sales of finished goods		
– to associated companies	52.6	42.9
– to affiliated companies	23.7	4.6
Purchases of raw materials		
– from associated companies	15.8	13.3
– from affiliated companies	9.8	1.8
Management and technical services fee income and royalty income		
– from associated companies	0.2	0.3
– from affiliated companies	2.1	1.7
Rental expenses		
– to affiliated companies	3.1	1.7

Approximately four per cent (2003: two per cent) of Indofood's sales and two per cent (2003: one per cent) of its purchases were transacted with these related parties.

Nature of balances

At 31 December *US$ millions*	**2004**	**2003**
BALANCE SHEET ITEMS		
Accounts receivable – trade		
– from associated companies	6.8	7.9
– from affiliated companies	4.6	2.6
Accounts receivable – non-trade		
– from associated companies	3.8	2.0
– from affiliated companies	4.3	8.1
Long-term receivables		
– from associated companies	4.7	6.0
– from affiliated companies	–	1.5
Accounts payable – trade		
– to associated companies	2.5	1.3
– to affiliated companies	1.2	1.7

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

33. SUBSEQUENT EVENTS

(A) On 18 January 2005, the Company issued US$199.0 million five-year Zero Coupon Exchangeable Notes (the Notes) through its wholly-owned subsidiary, First Pacific Finance Limited (FPF). The Notes are unsecured obligations of FPF and are unconditionally and irrevocably guaranteed by the Company.

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

The Notes carry an initial conversion premium of 21 per cent, which translates into a conversion price of US$29.33 per PLDT share. Assuming full exchange of the Notes, the Notes will be exchangeable into 6,784,091 PLDT shares (subject to adjustment), representing approximately 4.0 per cent of the total common shares issued by PLDT, and reducing the Group's economic interest in PLDT from approximately 24.2 per cent to 20.2 per cent and reducing the Group's voting interest in PLDT from 31.3 per cent to 27.3 per cent.

The net proceeds of approximately US$194 million will be used by the Company for general corporate purposes including acquisitions in line with the Company's principal strategic objectives, repayment of debt and working capital.

(B) On 24 February 2005, Indofood and Nestle S.A. (Nestle) of Switzerland announced the signing of a joint venture agreement to engage in the business of manufacturing, selling, marketing and distributing culinary products in Indonesia and eventually for export. The new joint venture company, which will be equally owned by Indofood and Nestle, will be named "PT Nestle Indofood Citarasa Indonesia". The new joint venture company is expected to commence operations by 1 April 2005.

34. COMPARATIVE FIGURES

Amounts have been reclassified and comparatives have been restated, as appropriate, in accounting for plantations (Note 26). Such reclassifications and restatements have the effects of increasing the shareholders' equity at 31 December 2003 to US$51.1 million from US$10.7 million and reducing the profit attributable to ordinary shareholders for the year ended 31 December 2003 from US$81.5 million to US$74.1 million.

35. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved and authorized for issue by the Board of Directors on 14 March 2005.

SUMMARY OF PRINCIPAL INVESTMENTS
At 31 December 2004

Philippine Long Distance Telephone Company

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

Sector: Telecommunications
Place of incorporation/business area: Philippines
Issued number of shares: 170.2 million
Economic interest/voting interest: 24.2 per cent/31.3 per cent

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

PT Indofood Sukses Makmur Tbk

Indofood is the leading processed-foods group in Indonesia. It is based in Jakarta, and is listed on the Jakarta and Surabaya Stock Exchanges. Noodles, Flour and Edible Oils and Fats are the principal businesses of Indofood. It also has interests in Food Seasonings, Snack Foods, Baby Foods, Distribution and Packaging businesses.

Sector: Consumer Food Products
Place of incorporation/business area: Indonesia
Issued number of shares: 9.4 billion
Economic interest/voting interest: 51.5 per cent

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

Metro Pacific Corporation

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

Sector: Property and Transportation
Place of incorporation/business area: Philippines
Issued number of shares: 18.6 billion
Economic interest/voting interest: 75.5 per cent

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

C UNAUDITED FINANCIAL INFORMATION (reproduced from the Company's interim report for the six months ended 30 June 2005)

Set out below is the unaudited condensed consolidated profit and loss statement, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and notes to the financial statements reproduced from the unaudited condensed consolidated financial statements published in the Company's interim report for the six months ended 30 June 2005.

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT

For the six months ended 30 June *US$ millions*	*Notes*	(Unaudited) 2005	2004 *(Restated)*[(i)]
TURNOVER	*2*	942.5	1,002.0
Cost of sales		(702.7)	(756.7)
GROSS PROFIT		239.8	245.3
Distribution costs		(81.7)	(90.2)
Administrative expenses		(57.3)	(64.4)
Other operating expenses, net		(6.3)	(35.4)
Net borrowing costs	*3*	(59.2)	(55.4)
Share of profits less losses of associated companies		71.1	49.9
PROFIT BEFORE TAXATION	*4*	106.4	49.8
Taxation	*5*	(20.4)	(10.6)
PROFIT FROM CONTINUING OPERATIONS		86.0	39.2
Profit from a discontinued operation	*6*	–	18.8
PROFIT FOR THE PERIOD		86.0	58.0
ATTRIBUTABLE TO:			
Equity holders of the parent	*7*	60.8	51.5
Minority interest		25.2	6.5
		86.0	58.0
PER SHARE DATA (U.S. CENTS)	*8*		
Basic earnings			
– Continuing operations		1.91	1.03
– A discontinued operation		N/A	0.59
– Total		1.91	1.62
Diluted earnings			
– Continuing operations		1.74	N/A
– A discontinued operation		N/A	N/A
– Total		1.74	N/A
Dividend	*9*	0.13	–

N/A: Not applicable

(i) Refer to Note 1.

The accompanying notes form an integral part of these Condensed Interim Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEET

US$ millions	Notes	(Unaudited) At 30 June 2005	At 31 December 2004 (Restated)[(i)]
NON-CURRENT ASSETS			
Property and equipment	*11*	626.8	647.4
Plantations		164.3	147.4
Associated companies	*12*	296.4	168.9
Long-term receivables and prepayments		136.7	251.6
Goodwill		40.0	36.5
Prepaid land premiums		40.7	41.0
Available-for-sale assets		4.4	11.5
Deferred tax assets		6.0	5.8
Restricted cash	*16(d)*	4.7	4.7
		1,320.0	1,314.8
CURRENT ASSETS			
Cash and cash equivalents		257.7	186.6
Restricted cash	*16(d)*	–	4.5
Available-for-sale assets		42.6	21.4
Accounts receivable, other receivables and prepayments	*13*	286.9	360.0
Inventories		291.5	281.4
		878.7	853.9
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	*14*	278.3	282.4
Short-term borrowings		243.6	288.9
Provision for taxation		16.2	26.2
		538.1	597.5
NET CURRENT ASSETS		340.6	256.4
TOTAL ASSETS LESS CURRENT LIABILITIES		1,660.6	1,571.2

CONDENSED CONSOLIDATED BALANCE SHEET *(Cont'd)*

US$ millions	*Notes*	**(Unaudited) At 30 June 2005**	**At 31 December 2004** *(Restated)*[(i)]
EQUITY			
Issued share capital		31.9	31.9
Other reserves		899.8	902.8
Accumulated losses		(614.4)	(707.3)
Equity attributable to equity holders of the parent		317.3	227.4
Minority interest		343.0	363.7
TOTAL EQUITY		660.3	591.1
NON-CURRENT LIABILITIES			
Loan capital and long-term borrowings		762.7	761.2
Deferred liabilities and provisions	*15*	96.7	107.1
Deferred tax liabilities		116.6	111.8
Derivative liability		24.3	–
		1,000.3	980.1
		1,660.6	1,571.2

(i) Refer to Note 1.

The accompanying notes form an integral part of these Condensed Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$ millions	Issued share capital	Share premium	Share options issued	Unrealized gains on available-for-sale assets	Unrealized losses on cash flow hedges	Exchange reserve	Accumulated losses	Equity attributable to equity holders of the parent	Minority interest	(Unaudited) Total equity
Balance at 1 January 2004, as previously reported	31.9	958.2	–	–	–	(3.4)	(935.6)	51.1	376.7	427.8
Prior year adjustments	–	–	–	–	–	–	(61.0)	(61.0)	(1.1)	(62.1)
As restated[i]	31.9	958.2	–	–	–	(3.4)	(996.6)	(9.9)	375.6	365.7
Changes in equity for 2004:										
Exchange differences on translating foreign operations	–	–	–	–	–	(29.0)	–	(29.0)	(35.8)	(64.8)
Disposal of an associated company	–	–	–	–	–	(33.7)	163.4	129.7	–	129.7
Dilution of interest in a subsidiary company	–	–	–	–	–	–	0.1	0.1	–	0.1
Amortization of cost of share options	–	–	0.6	–	–	–	–	0.6	–	0.6
Change in attributable interests	–	–	–	–	–	–	–	–	(1.2)	(1.2)
Net income recognized directly in equity	–	–	0.6	–	–	(62.7)	163.5	101.4	(37.0)	64.4
Net profit for the period, as restated	–	–	–	–	–	–	51.5	51.5	6.5	58.0
Total recognized income and expense for the period	–	–	0.6	–	–	(62.7)	215.0	152.9	(30.5)	122.4
Dividend	–	–	–	–	–	–	–	–	(23.8)	(23.8)
BALANCE AT 30 JUNE 2004 (RESTATED)[i]	31.9	958.2	0.6	–	–	(66.1)	(781.6)	143.0	321.3	464.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Cont'd)*

US$ millions	Issued share capital	Share premium	Share options issued	Unrealized gains on available-for-sale assets	Unrealized losses on cash flow hedges	Exchange reserve	Accumulated losses	Equity attributable to equity holders of the parent	Minority interest	(Unaudited) Total equity
Balance at 31 December 2004, as previously reported	31.9	958.2	–	–	–	(59.8)	(635.7)	294.6	365.1	659.7
Prior year adjustments	–	–	4.4	–	–	–	(71.6)	(67.2)	(1.4)	(68.6)
As restated – *Note 1*	31.9	958.2	4.4	–	–	(59.8)	(707.3)	227.4	363.7	591.1
Adjustments for adoption of HKAS39[(i)]	–	–	–	1.7	–	–	32.1	33.8	–	33.8
Balance at 1 January 2005, as restated	31.9	958.2	4.4	1.7	–	(59.8)	(675.2)	261.2	363.7	624.9
Changes in equity for 2005:										
Exchange differences on translating foreign operations	–	–	–	–	–	(6.8)	–	(6.8)	(14.9)	(21.7)
Dilution of interest in an associated company	–	–	–	–	–	0.2	–	0.2	–	0.2
Amortization of cost of share options	–	–	3.4	–	–	–	–	3.4	–	3.4
Unrealized gains on available-for-sale assets	–	–	–	0.7	–	–	–	0.7	–	0.7
Unrealized losses on cash flow hedges	–	–	–	–	(2.2)	–	–	(2.2)	–	(2.2)
Change in attributable interests	–	–	–	–	–	–	–	–	(1.6)	(1.6)
Net loss recognized directly in equity	–	–	3.4	0.7	(2.2)	(6.6)	–	(4.7)	(16.5)	(21.2)
Net profit for the period	–	–	–	–	–	–	60.8	60.8	25.2	86.0
Total recognized income and expense for the period	–	–	3.4	0.7	(2.2)	(6.6)	60.8	56.1	8.7	64.8
Dividend	–	–	–	–	–	–	–	–	(29.4)	(29.4)
BALANCE AT 30 JUNE 2005	31.9	958.2	7.8	2.4	(2.2)	(66.4)	(614.4)	317.3	343.0	660.3

(i) Refer to Note 1.

The accompanying notes form an integral part of these Condensed Interim Financial Statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		(Unaudited)	
For the six months ended 30 June		**2005**	**2004**
US$ millions	*Notes*		*(Restated)*[(i)]
PROFIT BEFORE TAXATION		106.4	49.8
Adjustments for:			
Interest expenses		64.6	62.4
Depreciation		32.7	28.0
Foreign exchange and derivative losses, net		24.3	31.6
Decrease in long-term receivables and prepayments		1.3	11.8
Amortization of goodwill		–	0.5
Gains on sale of property and equipment		–	(1.0)
Payments in respect of deferred liabilities and provisions		–	(14.0)
Share of profits less losses of associated companies		(71.1)	(49.9)
(Gain)/loss on changes in fair value of plantations		(8.5)	14.0
Interest income		(5.4)	(7.0)
Gain on dilution of interest in an associated company		(3.0)	–
Others		8.4	9.9
Operating profit before working capital changes		149.7	136.1
Decrease in working capital[(ii)]		23.0	62.4
Net cash generated from operations		172.7	198.5
Interest received		4.8	9.7
Interest paid		(53.8)	(60.1)
Tax paid		(37.5)	(23.1)
NET CASH INFLOW FROM OPERATING ACTIVITIES		86.2	125.0

CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

For the six months ended 30 June *US$ millions*	*Notes*	(Unaudited) **2005**	 **2004** *(Restated)*[(i)]
Proceeds from termination of derivative transactions		96.3	–
Dividend received from an associated company		10.0	–
Sale of businesses, property and equipment and others		2.2	52.5
Acquisitions of subsidiary companies	*16(a)*	1.0	–
Increased investment in an associated company	*16(b)*	(28.2)	–
Purchases of property and equipment and others		(23.6)	(82.9)
Acquisitions of available-for-sale assets		(22.5)	–
Acquisition of an associated company	*16(c)*	(15.0)	–
Loans (to)/repaid by associated companies		(0.2)	0.5
Continuing operations		20.0	(29.9)
A discontinued operation		–	15.0
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		20.0	(14.9)
Net borrowings repaid		(8.8)	(66.0)
Shares issued to minority interest by a subsidiary company		–	0.1
Dividends paid to minority interest by a subsidiary company		(21.7)	(11.4)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(30.5)	(77.3)
NET INCREASE IN CASH AND CASH EQUIVALENTS		75.7	32.8
Cash and cash equivalents at 1 January		186.6	233.3
Exchange translation		(4.6)	(18.3)
CASH AND CASH EQUIVALENTS AT 30 JUNE		257.7	247.8
REPRESENTING			
Cash and cash equivalents		257.7	247.8

(i) *Refer to Note 1.*

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

The accompanying notes form an integral part of these Condensed Interim Financial Statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The Condensed Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by HKICPA and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) issued by The Stock Exchange of Hong Kong Limited (SEHK). The Condensed Interim Financial Statements have been prepared on a basis consistent with the accounting policies adopted in the Group's 2004 audited Financial Statements, except as described below.

Significant changes to the Hong Kong Generally Accepted Accounting Principles (HK GAAP) have been implemented during 2005 as a consequence of the introduction of a number of new and revised HKASs and HKFRSs (herein collectively referred to as the new HKFRSs) by the HKICPA, which are effective for accounting periods commencing on, or after, 1 January 2005. The new HKFRSs, which replaced the previous Statements of Standard Accounting Practice, were issued by the HKICPA to align with the equivalent International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs). The principal changes to HK GAAP and the HKFRSs which affect the Group's condensed consolidated financial statements are summarized as follows:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

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

- HKAS 1 "Presentation of Financial Statements" provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying assets and liabilities as current or non-current; prohibits the presentation of income from operating activities and extraordinary items as separate line items in the consolidated profit and loss statement; requires the presentation of share of results of associated companies on an after-tax basis in the consolidated profit and loss statement and specifies the disclosures about the key sources of estimates, uncertainties and the judgements management has made in the process of applying the entity's accounting policies. The standard also requires changes in the presentation of minority interest in the consolidated profit and loss statement, balance sheet and statement of changes in equity. The adoption of HKAS 1 has resulted in changes in the presentation of the Group's consolidated profit and loss statement, balance sheet and statement of changes in equity, but has had no effect on both the profit attributable to equity holders of the parent for the period ended 30 June 2004 and equity attributable to equity holders of the parent at 31 December 2004.

- HKAS 16 "Property, Plant and Equipment" provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. The standard also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. It also requires that the cost of an item of property, plant and equipment should include the costs of its dismantlement, removal or restoration — the obligation for which the Group incurs as a consequence of installing the item, or of using the item during a particular period for purposes other than to produce inventories during that period. The adoption of HKAS 16 has effectively reduced the profit attributable to equity holders of the parent for the period ended 30 June 2004 by US$0.3 million and reduced the equity attributable to equity holders of the parent at 31 December 2004 by US$2.1 million.

- HKAS 17 "Leases" prescribes the classification of interest in leasehold land as an operating lease if the title of the land is not passed to the Group by the end of the lease term. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortized on the straight-line basis over the lease term. The adoption of HKAS 17 has resulted in a reclassification of leasehold land from Property and equipment and Long-term receivables and prepayments of US$23.3 million and US$17.7 million, respectively, to Prepaid land premiums in the Group's consolidated balance sheet at 31 December 2004. However, the adoption has had no effect on both the profit attributable to equity holders of the parent for the period ended 30 June 2004 and equity attributable to equity holders of the parent at 31 December 2004.

- HKAS 32 "Financial Instruments: Disclosure and Presentation" covers the disclosure and presentation of all financial instruments. This standard requires more comprehensive disclosures about a company's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used, types of risks associated with both recognized and unrecognized financial instruments (market risk, price risk, credit risk, liquidity risk, and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the company's financial risk management policies and objectives. This standard also requires financial instruments to be classified as liabilities or equity in accordance with their substance and not their legal form. HKAS 32 requires retrospective application. The adoption of HKAS 32 has effectively reduced the profit attributable to equity holders of the parent for the period ended 30 June 2004 by US$2.3 million and reducing the equity attributable to equity holders of the parent at 31 December 2004 by US$65.1 million.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

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

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

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

  The adoption of HKAS 39 has resulted in a change of the Group's accounting policy on the measurement of its various financial assets and liabilities from historical cost to either fair value or amortized cost based on the effective interest rate method. HKAS 39 generally does not permit a company to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. As a result, the Group remeasured its various financial assets and liabilities at 1 January 2005. The differences which arose from the remeasurement were adjusted to the Group's balance of accumulated losses at 1 January 2005 as required under the transitional provisions of the standard. The adjustments have effectively reduced the equity attributable to equity holders of the parent at 1 January 2005 by US$32.1 million.

- HKFRS 2 "Share-based Payment" requires an entity to recognize expenses in a share-based payment transaction when it obtains the goods or as the services are rendered. The entity shall recognize a corresponding increase in equity if the goods or services were received in an equity-settled transaction, or shall recognize liability if the goods or services were acquired in a cash-settled transaction. Pursuant to the transitional provisions of HKFRS 2, expenses relating to share options granted after 7 November 2002 and not yet fully vested on 1 January 2005 should be accounted for on a retrospective basis. The adoption of HKFRS 2 has effectively reduced the profit attributable to equity holders of the parent for the period ended 30 June 2004 by US$0.6 million, but has no effect on the equity attributable to equity holders of the parent at 31 December 2004.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

HKFRS 3 also requires goodwill in a business combination to be recognized by an acquirer as an asset from the acquisition date, initially measured as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Further, the amortization of goodwill acquired in a business combination is prohibited. Instead, goodwill is to be tested annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. Goodwill that had been previously eliminated against reserves as a matter of accounting treatment will not be reinstated in the profit and loss statement upon disposal or impairment of the asset. The adoption of HKFRS 3 has resulted in the Group conducting an impairment review of its goodwill balance at least on an annual basis instead of amortizing its goodwill balance starting from 1 January 2005 and has had no effect on both the profit attributable to equity holders of the parent for the period ended 30 June 2004 and equity attributable to equity holders of the parent at 31 December 2004.

- HKFRS 5 "Non-current Assets Held-for-Sale and Discontinued Operations" requires an operation to be classified as discontinued when the criteria to be classified as held-for-sale have been met or the entity has disposed of the operation. The adoption of HKFRS 5 has resulted in changes in the presentation of the Group's consolidated profit and loss statement and has had no effect on both the profit attributable to equity holders of the parent for the period ended 30 June 2004 and equity attributable to equity holders of the parent at 31 December 2004.

The impacts of the adoption of HKFRSs on the figures reported by the Group for the prior year are summarized as follows:

US$ millions	As previously reported For the six months ended 30 June 2004	HKAS1	HKAS16	Restatement HKAS32	HKFRS2	HKFRS5	As restated For the six months ended 30 June 2004
PROFIT AND LOSS STATEMENT							
Profit before taxation	88.6	(15.5)	(0.5)	(3.4)	(0.6)	(18.8)	49.8
Profit attributable to equity holders of the parent	54.7	–	(0.3)	(2.3)	(0.6)	–	51.5

US$ millions	As previously reported At 31 December 2004	Restatement HKAS16	HKAS32	As restated At 31 December 2004
BALANCE SHEET				
Total assets	2,228.3	5.5	(65.1)	2,168.7
Total liabilities	1,568.6	9.0	–	1,577.6
Equity attributable to equity holders of the parent	294.6	(2.1)	(65.1)	227.4
Minority interest	365.1	(1.4)	–	363.7
Total equity	659.7	(3.5)	(65.1)	591.1

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

US$ millions	As previously reported At 1 January 2004	Restatement HKAS16	Restatement HKAS32	As restated At 1 January 2004
BALANCE SHEET				
Total assets	2,213.5	7.2	(59.5)	2,161.2
Total liabilities	1,785.7	9.8	–	1,795.5
Equity attributable to equity holders of the parent	51.1	(1.5)	(59.5)	(9.9)
Minority interest	376.7	(1.1)	–	375.6
Total equity	427.8	(2.6)	(59.5)	365.7

The adoption of HKFRSs has had no significant impact on figures reported in prior years' cash flow statements.

The following tables summarize the impact on the Group's profit for the period, income or expenses recognized directly in equity and capital transactions with equity holders for the periods ended 30 June 2005 and 2004 upon the adoption of the new HKFRSs. The impact for 30 June 2005 is estimated to the extent that is practicable. As no retrospective adjustments have been made for the adoption of HKAS 39 and HKFRS 3, the amounts shown for the period ended 30 June 2004 may not be comparable to the amounts shown for the current interim period.

(a) Effect of new accounting policies on profit for the period

For the six months ended 30 June 2005 *US$ millions*	HKAS16	HKAS32	HKAS39	HKFRS2	HKFRS3	Total	Effect on earnings per share *(U.S. cents)* Basic	Effect on earnings per share *(U.S. cents)* Diluted
EFFECT ON PROFIT ATTRIBUTABLE TO:								
Equity holders of the parent	(2.8)	(0.8)	2.4	(3.4)	3.9	(0.7)	(0.02)	(0.02)
Minority interest	(0.2)	–	9.6	–	0.5	9.9		
TOTAL	(3.0)	(0.8)	12.0	(3.4)	4.4	9.2		

For the six months ended 30 June 2004 *US$ millions*	HKAS16	HKAS32	HKFRS2	Total	Effect on earnings per share *(U.S. cents)* Basic	Effect on earnings per share *(U.S. cents)* Diluted
EFFECT ON PROFIT ATTRIBUTABLE TO:						
Equity holders of the parent	(0.3)	(2.3)	(0.6)	(3.2)	(0.10)	N/A
Minority interest	(0.1)	–	–	(0.1)		
TOTAL	(0.4)	(2.3)	(0.6)	(3.3)		

N/A: Not applicable

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

(b) Effect of new accounting policies on income or expenses recognized directly in equity and capital transactions with equity holders

For the six months ended 30 June 2005 *US$ millions*	HKAS39	HKFRS2	Total
EFFECT ON EQUITY ATTRIBUTABLE TO:			
Equity holders of the parent	(1.5)	3.4	1.9
Minority interest	–	–	–
TOTAL	(1.5)	3.4	1.9

For the six months ended 30 June 2004 *US$ millions*	HKFRS2	Total
EFFECT ON EQUITY ATTRIBUTABLE TO:		
Equity holders of the parent	0.6	0.6
Minority interest	–	–
TOTAL	0.6	0.6

2. TURNOVER AND SEGMENTAL INFORMATION

For the six months ended 30 June *US$ millions*	2005	2004
TURNOVER		
Sale of goods and properties	919.5	984.8
Rendering of services	23.0	17.2
TOTAL	942.5	1,002.0

Segmental information, relating to the Group's business and geographic interests, follows. Analysis by business segment is the Group's primary reporting format as this is more relevant to the Group when making operational and financial decisions.

By principal business activity – 2005

For the six months ended 30 June 2005 *US$ millions*	Telecom-munications	Consumer Food Products	Property and Transportation	Head Office	Total
PROFIT AND LOSS					
Segment revenue – turnover	–	911.6	30.9	–	942.5
Segment results	–	100.1	21.9	(27.5)	94.5
Net borrowing costs					(59.2)
Share of profits less losses of associated companies	71.0	–	0.1	–	71.1
Profit before taxation					106.4
Taxation					(20.4)
Profit for the period					86.0
OTHER INFORMATION					
Capital expenditure	–	21.3	2.3	–	23.6
Depreciation	–	31.1	1.6	–	32.7
Other non-cash expenses	–	1.1	0.5	–	1.6

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

By principal geographical market – 2005

For the six months ended 30 June 2005 *US$ millions*	**The Philippines**	**Indonesia**	**Total**
Segment revenue – turnover	30.9	911.6	942.5
Capital expenditure	2.3	21.3	23.6

By principal business activity – 2004

For the six months ended 30 June 2004 (Restated) *US$ millions*	**Telecom-munications**	**Consumer Food Products**	**Property and Transportation**	**Head Office**	**Total**
PROFIT AND LOSS					
Segment revenue – turnover	–	973.4	28.6	–	1,002.0
Segment results		61.4	(1.9)	(4.2)	55.3
Net borrowing costs					(55.4)
Share of profits less losses of associated companies	50.2	(0.2)	(0.1)	–	49.9
Profit before taxation					49.8
Taxation					(10.6)
Profit from continuing operations					39.2
Profit from a discontinued operation *(Note 6)*					18.8
Profit for the period					58.0
OTHER INFORMATION					
Capital expenditure	–	75.4	2.6	–	78.0
Depreciation and amortization	–	26.3	2.2	–	28.5
Other non-cash expenses	–	16.8	9.2	–	26.0

By principal geographical market – 2004

For the six months ended 30 June 2004 *US$ millions*	**The Philippines**	**Indonesia**	**Total**
Segment revenue – turnover	28.6	973.4	1,002.0
Capital expenditure	2.6	75.4	78.0

3. NET BORROWING COSTS

For the six months ended 30 June *US$ millions*	**2005**	**2004**
Loan capital wholly repayable within five years	–	0.3
Bank loans and other loans		
– wholly repayable within five years	64.0	60.3
– not wholly repayable within five years	0.6	1.8
TOTAL BORROWING COSTS	64.6	62.4
Less interest income	(5.4)	(7.0)
NET BORROWING COSTS	59.2	55.4

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

4. PROFIT BEFORE TAXATION

For the six months ended 30 June *US$ millions*	**2005**	**2004** *(Restated)*
PROFIT BEFORE TAXATION IS STATED AFTER (CHARGING)/CREDITING:		
Cost of inventories sold	(552.7)	(595.4)
Depreciation *(Note 11)*	(32.7)	(28.0)
Net foreign exchange and derivative losses *(Note 7)*	(24.3)	(31.6)
Cost of services rendered	(21.2)	(16.3)
Doubtful debt provisions	(1.6)	(2.8)
Realized losses on sale of available-for-sale assets	–	(3.3)
Unrealized losses on available-for-sale assets	–	(2.9)
Amortization of goodwill (included in Other operating expenses, net)	–	(0.5)
Gain on sale of property and equipment	–	1.0
Gain/(loss) on changes in fair value of plantations	8.5	(14.0)
Gain on dilution of interest in an associated company	3.0	–
Dividend income from available-for-sale assets	1.3	–

5. TAXATION

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

For the six months ended 30 June *US$ millions*	**2005**	**2004** *(Restated)*
SUBSIDIARY COMPANIES – OVERSEAS		
Current taxation	15.5	21.1
Deferred taxation	4.9	(10.5)
TOTAL	20.4	10.6

Included within share of profits less losses of associated companies is taxation of US$24.2 million (2004: US$15.5 million) and is analyzed as follows.

For the six months ended 30 June *US$ millions*	**2005**	**2004** *(Restated)*
ASSOCIATED COMPANIES – OVERSEAS		
Current taxation	21.1	18.3
Deferred taxation	3.1	(2.8)
TOTAL	24.2	15.5

6. PROFIT FROM A DISCONTINUED OPERATION

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

7. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Profit attributable to equity holders of the parent includes US$7.7 million (2004: US$13.6 million) net foreign exchange and derivative losses that arose primarily on the translation of the unhedged foreign currency denominated borrowings and changes in the fair values of derivatives, and US$14.6 million (2004: US$15.4 million) of net non-recurring gains.

Analysis of foreign exchange and derivative losses

For the six months ended 30 June *US$ millions*	**2005**	**2004**
Foreign exchange and derivative (losses)/gains		
– Subsidiary companies	(24.3)	(31.6)
– Associated companies	11.4	(3.1)
Subtotal	(12.9)	(34.7)
Attributable to taxation and minority interest	5.2	21.1
TOTAL	(7.7)	(13.6)

The net non-recurring gains for 2005 mainly comprise goodwill compensation received by Indofood in connection to the establishment of a joint venture entity of US$5.0 million, gain on dilution of the Group's interest in PLDT of US$3.0 million, Metro Pacific's agreed one-time adjustments made to amounts owed to Pacific Plaza Towers contractor and others. 2004's non-recurring gains include gain on disposal of 49 per cent interest in Escotel of US$17.1 million.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the period of US$60.8 million (2004 restated: US$51.5 million), and the weighted average of 3,186.0 million (2004: 3,186.0 million) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2005 is based on: (i) a profit equal to the profit attributable to equity holders of the parent for the period of US$60.8 million adjusted by the US$4.5 million reduction in share of profits of associated companies assuming the conversion of dilutive convertible preference shares and share options issued by an associated company, and (ii) a share base equal to the aggregate of the weighted average number of ordinary shares of 3,186.0 million ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 40.4 million ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the period.

The diluted earnings per share amount for the six months ended 30 June 2004 has not been disclosed as no diluting events existed during that period.

9. ORDINARY SHARE DIVIDEND

At a meeting held on 31 August 2005, the Directors declared an interim cash dividend of U.S. 0.13 cent (2004: Nil) per ordinary share totaling US$4.1 million (2004: Nil).

10. SUBSIDIARY COMPANIES

(a) Details of principal subsidiary companies which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out on pages 99 and 100.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

(b) Metro Pacific group contributes to the Group's property and transportation business segment (refer to Note 2). Since the fourth quarter of 2001, it has been unable to meet its debt repayment obligations. Metro Pacific's ability to continue as a going concern is dependent on a number of factors, which includes its ability to settle or restructure its debt obligations, the availability of refinancing of debts and the success of its plan to revitalize its business and generate sufficient cash flows to ensure sustained and profitable operations. Metro Pacific had successfully reduced its parent company's debt obligations to Pesos 742 million (US$13.2 million) as of 30 June 2005 from Pesos 11.7 billion (US$208.5 million) as of 31 December 2001 when the debt reduction program was commenced. Metro Pacific anticipates it will further reduce its parent company's debts to less than Pesos 300 million (US$5.3 million) by the end of 2005.

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

11. PROPERTY AND EQUIPMENT

The movements in property and equipment are set out below.

US$ millions	**2005**	**2004** *(Restated)*
At 1 January	647.4	671.8
Exchange translation	(29.0)	(62.3)
Additions	23.6	78.0
Disposals	(2.0)	(5.0)
Acquisition of subsidiary companies *(Note 16(a))*	2.0	–
Depreciation *(Note 4)*	(32.7)	(28.0)
Reclassification[(i)]	17.5	(51.5)
AT 30 JUNE	626.8	603.0

(i) Reclassified from/(to) Long-term receivables and prepayments.

The additions during the period principally represented Indofood's purchase of machinery and equipment.

12. ASSOCIATED COMPANIES

US$ millions	**At 30 June 2005**	**At 31 December 2004** *(Restated)*
PLDT	252.9	140.7
Metro Pacific's associated companies	24.5	26.8
Level Up	14.9	–
Others	4.1	1.4
TOTAL	296.4	168.9

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

13. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

Included in accounts receivable, other receivables and prepayments are trade receivables of US$172.2 million (31 December 2004: US$170.3 million), with an aged profile as below.

US$ millions	**At 30 June 2005**	**At 31 December 2004**
0 to 30 days	121.9	145.5
31 to 60 days	26.0	6.0
61 to 90 days	6.5	12.2
Over 90 days	17.8	6.6
TOTAL	172.2	170.3

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

14. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

Included in accounts payable, other payables and accruals are trade payables of US$145.3 million (31 December 2004: US$145.1 million), with an aged profile as below.

US$ millions	**At 30 June 2005**	**At 31 December 2004**
0 to 30 days	131.7	121.2
31 to 60 days	6.6	7.4
61 to 90 days	1.5	5.6
Over 90 days	5.5	10.9
TOTAL	145.3	145.1

15. DEFERRED LIABILITIES AND PROVISIONS

US$ millions	Pension	Deferred income	Long-term payables	Others	2005 Total	2004 (Restated) Total
At 1 January, as restated	40.9	28.3	39.6	16.3	125.1	129.6
Exchange translation	(1.8)	–	(0.2)	–	(2.0)	(5.1)
Additions	6.4	0.1	5.2	3.3	15.0	3.1
Payment and utilization	(9.1)	(2.3)	(2.3)	–	(13.7)	(18.2)
Reclassification *(i)*	–	–	(19.8)	8.7	(11.1)	–
Subtotal	36.4	26.1	22.5	28.3	113.3	109.4
Less current portion included in accounts payable, other payables and accruals	–	(1.3)	(7.0)	(8.3)	(16.6)	(20.8)
AT 30 JUNE	36.4	24.8	15.5	20.0	96.7	88.6

(i) Reclassified to Loan capital and long-term borrowings and from Accounts payable, other payables and accruals.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

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

Deferred income relates to upfront service fee received by Asia Link B.V. (ALBV), a wholly-owned subsidiary company of the Company, from Smart Communications, Inc. (Smart), a wholly-owned subsidiary company of PLDT, in respect of their arrangement for a service agreement (Note 19(c)) and the unrealized gross profit arising on property sales.

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

Others mainly relates to provisions for warranty claims.

16. NOTES TO CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisitions of subsidiary companies

US$ millions	**Indofood's acquisitions of Silveron Investments Limited (SIL) and its subsidiary companies**	**Others**	**Total**
CONSIDERATION			
Cash and cash equivalents	1.8	0.1	1.9
Accounts receivable, other receivables and prepayments[(i)]	16.7	–	16.7
TOTAL	18.5	0.1	18.6
NET ASSETS			
Property and equipment *(Note 11)*	1.7	0.3	2.0
Plantations	13.7	–	13.7
Long-term receivables and prepayments	1.9	–	1.9
Deferred tax assets	0.6	–	0.6
Cash and cash equivalents	2.6	0.3	2.9
Accounts receivable, other receivables and prepayments	0.5	1.8	2.3
Inventories	0.1	0.8	0.9
Accounts payable, other payables and accruals	(0.8)	(3.1)	(3.9)
Short-term borrowings	(1.1)	–	(1.1)
Loan capital and long-term borrowings	(1.4)	–	(1.4)
Deferred tax liabilities	(3.7)	–	(3.7)
TOTAL NET ASSETS ACQUIRED AT FAIR VALUE	14.1	0.1	14.2
GOODWILL	4.4	–	4.4
NET INFLOW OF CASH AND CASH EQUIVALENTS PER CONDENSED CONSOLIDATED CASH FLOW STATEMENT	0.8	0.2	1.0

(i) Represented deposit paid for the acquisition made by Indofood in December 2004.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

In June 2005, Indofood completed the acquisition of 100 per cent interest in SIL for US$18.5 million. SIL has 100 per cent direct and indirect equity interests in PT Kebun Ganda Prima and PT Citranusa Intisawit, respectively, which are both engaged in the operations of oil palm plantations in Indonesia.

If all of the above acquisitions had taken place on 1 January 2005, the turnover and profit for the period of the Group for the six months ended 30 June 2005 would be US$944.0 million and US$85.7 million, respectively. The subsidiary companies acquired during the period had net cash outflows from operating activities of US$0.4 million and paid US$0.8 million in respect of financing activities during the period.

(b) Increased investment in an associated company

The cash outflow of US$28.2 million relates to the Group's increased interest in PLDT to 24.6 per cent.

(c) Acquisition of an associated company

The cash outflow of US$15.0 million relates to the Group's acquisition of a 25.0 per cent interest in Level Up in March 2005.

(d) Restricted cash

At 30 June 2005, the Group had US$4.7 million (31 December 2004: US$9.2 million) of cash which was restricted as to use. None of the amount (31 December 2004: US$4.5 million) is expected to be released within one year from 30 June 2005 and required to be classified as current assets.

(e) Major non-cash transaction

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

17. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital expenditure

US$ millions	**At 30 June 2005**	**At 31 December 2004**
Commitments in respect of subsidiary companies:		
Authorized, but not contracted for	13.1	19.1
Contracted, but not provided for	1.4	9.1
TOTAL	14.5	28.2

Capital expenditure commitments principally relate to Indofood's purchase of machinery and equipment and Metro Pacific's property development obligations and vessel's related expenditures.

(b) Contingent liabilities

At 30 June 2005, neither the Group nor the Company had any significant contingent liabilities (31 December 2004: Nil).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

18. SHARE OPTIONS

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 30 June 2005 are set out below:

(a) Particulars of the Company's share option scheme

COMPANY	Share options held at 1 January and 30 June 2005	Share options exercise price *(HK$)*	Market price at date of grant *(HK$)*	Grant date	Fully vested by	Exercisable from	Exercisable until
EXECUTIVE DIRECTORS							
Manuel V. Pangilinan	31,800,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
Edward A. Tortorici	31,800,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
Robert C. Nicholson	24,500,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
NON-EXECUTIVE DIRECTORS							
His Excellency Albert F. del Rosario	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
Benny S. Santoso	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
INDEPENDENT NON-EXECUTIVE DIRECTORS							
Graham L. Pickles	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
Edward K.Y. Chen *(GBS, CBE, JP)*	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
David W.C. Tang *(OBE, Chevallier de L'Ordre des Arts et des Lettres)*	2,840,000	1.76	1.76	1 June 2004	June 2005	June 2005	May 2014
SENIOR EXECUTIVES	32,286,000	1.76	1.76	1 June 2004	December 2008	June 2005	May 2014
TOTAL	134,586,000						

For details relating to First Pacific's share option scheme, including valuation of options, please refer to pages 67 and 68. No share options have been granted, canceled or exercised during the period.

The aggregate fair value of US$14.6 million for the above options granted are recognized, together with a corresponding increase in equity, over their vesting period for the relevant Directors and senior executives in accordance with the Group's revised accounting policy pursuant to HKFRS 2 "Share-based Payment". Details of the change in the Group's accounting policy in respect of share options granted and the financial impacts are set out in Note 1.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

(b) Particulars of Metro Pacific's share option scheme

METRO PACIFIC	Share options held at 1 January 2005	Share options canceled during the period	Share options held at 30 June 2005	Share options exercise price *(Peso)*	Market price at date of grant *(Peso)*	Grant date	Exercisable from	Exercisable until
SENIOR EXECUTIVES	5,027,259	(5,027,259)	–	1.91	2.37	16 April 1995	April 1996	April 2005
	3,990,000	–	3,990,000	1.91	2.37	1 August 1995	August 1996	August 2005
	315,684	–	315,684	3.46	3.57	1 August 1997	August 1997	August 2007
TOTAL	9,332,943	(5,027,259)	4,305,684					

For details relating to Metro Pacific's share option scheme effective on 15 May 1990 (Old Scheme), please refer to page 70. No share options have been granted or exercised during the period in respect of the Old Scheme.

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

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

The exercise price in relation to each option grant under the New Scheme shall be determined by Metro Pacific directors at their absolute discretion, but in any event shall not be less than (i) the closing price of the Metro Pacific shares for one or more board lots of such Metro Pacific shares on the Philippine Stock Exchange (PSE) on the option grant date; (ii) the average closing price of the Metro Pacific share for one or more board lots of such Metro Pacific shares on the PSE for the 5 business days on which dealings in the Metro Pacific shares are made immediately preceding the option grant date; or (iii) the par value of the Metro Pacific shares, whichever is higher.

Up to 31 August 2005, no share options have been granted under the New Scheme.

Other than as disclosed above, at no time during the period was the Company or any of its subsidiary companies a party to any arrangements 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 period.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

19. RELATED PARTY TRANSACTIONS

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

(a) At 30 June 2005, Mcrae Investment Limited, a wholly-owned subsidiary company of the Company, had an outstanding receivable from Metro Pacific which amounted to Pesos 793 million (US$14.1 million) (31 December 2004: Pesos 793 million or US$14.1 million). The amount is interest-free, secured and not repayable within one year.

(b) On 31 December 2004, Metro Pacific Resources, Inc. (MPRI), a company in which the Company has 100 per cent economic interest, entered into a subscription agreement with Metro Pacific to subscribe Pesos 450 million (US$8.0 million) of Series 1-C Preferred Shares which were issued in two tranches in January and June 2005. MPRI's funding for such subscription came from the proceeds of approximately Pesos 450 million (US$8.0 million) realized from First Pacific's sale of 5.1 per cent aggregate shareholding in Metro Pacific in September and October 2004.

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

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

Total fees under these arrangements amounted to Pesos 278 million (US$5.1 million) for the period ended 30 June 2005 (2004: Pesos 214 million or US$3.8 million). At 30 June 2005, ALBV had outstanding receivable under the technical assistance agreement amounting to Pesos 284 million (US$5.1 million) (31 December 2004: Pesos 267 million or US$4.8 million).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS *(Cont'd)*

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 six months ended 30 June *US$ millions*	**2005**	**2004**
PROFIT AND LOSS ITEMS		
Sales of finished goods		
– to associated companies	17.1	25.4
– to affiliated companies	14.7	1.8
Purchases of raw materials		
– from associated companies	12.5	6.6
– rom affiliated companies	3.4	1.8
Management and technical services fee income and royalty income		
– from associated companies	0.2	0.1
– from affiliated companies	1.3	1.1
Rental expenses		
– to affiliated companies	0.7	0.8
Transportation and pump services expenses		
– to affiliated companies	0.4	0.6

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

Nature of balances

US$ millions	**At 30 June 2005**	**At 31 December 2004**
BALANCE SHEET ITEMS		
Accounts receivable – trade		
– from associated companies	6.4	6.8
– from affiliated companies	5.8	4.6
Accounts receivable – non-trade		
– from associated companies	7.0	3.8
– from affiliated companies	4.8	4.3
Long-term receivables		
– from associated companies	–	4.7
– from affiliated companies	0.6	0.7
Accounts payable – trade		
– to associated companies	4.6	2.5
– to affiliated companies	1.3	1.2
Accounts payable – non-trade		
– to affiliated companies	0.6	–

20. COMPARATIVE FIGURES

Amounts have been reclassified and comparatives have been restated, as appropriate, for the adoption of a number of new and revised HKFRSs (Note 1). Such reclassifications and restatements have the effects of reducing the equity attributable to equity holders of the parent at 31 December 2004 from US$294.6 million to US$227.4 million and reducing the profit attributable to equity holders of the parent for the six months ended 30 June 2004 from US$54.7 million to US$51.5 million.

SUMMARY OF PRINCIPAL INVESTMENTS
At 30 June 2005

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

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

Sector: Telecommunications
Place of incorporation/business area: The Philippines
Issued number of shares: 171.4 million
Economic interest/voting interest: 24.6 per cent/31.6 per cent

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

PT INDOFOOD SUKSES MAKMUR TBK

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

Sector: Consumer Food Products
Place of incorporation/business area: Indonesia
Issued number of shares: 9.4 billion
Economic interest/voting interest: 51.5 per cent

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

SUMMARY OF PRINCIPAL INVESTMENTS *(Cont'd)*
At 30 June 2005

METRO PACIFIC CORPORATION

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

Sector: Property and Transportation
Place of incorporation/business area: The Philippines
Issued number of shares: 18.6 billion
Economic interest/voting interest: 75.5 per cent

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

LEVEL UP! INTERNATIONAL HOLDINGS PTE LTD

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

Sector: Online games
Place of incorporation/business area: Singapore/The Philippines, Brazil and India
Issued number of shares: 413,869
Economic interest/voting interest: 25.0 per cent

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

A UNAUDITED FINANCIAL INFORMATION (reproduced from the Del Monte's unaudited financial statements for the period ended 30 September 2005)

Set out below are the unaudited consolidated profit and loss accounts, consolidated and company balance sheets, consolidated and company statements of changes in equity and consolidated statement of cash flows which in each case contain the relevant figures for: (i) the three month period ended 30 September 2005 and the corresponding period in 2004; and (ii) the nine month period ended 30 September 2005 and the corresponding period in 2004. In addition, the notes to the financial statements are included. The notes to such financial statements (as set out below) suggest that the financial statements have been prepared in accordance with IFRS and, save as otherwise disclosed in the notes, are consistent with those accounting policies used in the previous relevant financial year. As at the Latest Practicable Date, the Company has insufficient information to assess the accuracy of the financial statements and compliance thereof with IFRS accordingly, the Company takes no responsibility for their contents, other than in respect of their being correctly and fairly reproduced and presented.

For the latest interim period ended 30 September 2005, the accounting standards under HKFRS, in so far as they impact on the Del Monte Group, have converged with IFRS in all material respects.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	For the three months ended 30 Sept			For the nine months ended 30 Sept		
Amounts in US$'000	**2005**	**2004**	%	**2005**	**2004**	%
Turnover	50,601	50,657	(0.1)	153,171	133,157	15.0
Cost of sales	(38,679)	(37,985)	1.8	(115,518)	(98,435)	17.4
Gross profit	11,922	12,672	(5.9)	37,653	34,722	8.4
Distribution and selling expenses	(3,189)	(3,602)	(11.5)	(9,474)	(8,354)	13.4
General and administration expenses	(1,449)	(899)	61.2	(3,801)	(2,259)	68.3
Other operating expenses	(3,364)	(2,892)	16.3	(7,994)	(4,543)	76.0
Profit from operations	3,920	5,279	(25.7)	16,384	19,566	(16.3)
Financial income	520	214	143.0	1,807	622	190.5
Financial expense	(1,044)	(680)	53.5	(2,532)	(2,270)	11.5
Profit before taxation	3,396	4,813	(29.4)	15,659	17,918	(12.6)
Taxation	(654)	(272)	140.4	(2,826)	(1,749)	61.6
Profit after taxation	2,742	4,541	(39.6)	12,833	16,169	(20.6)
Minority interest	33	4	n/m	138	4	n/m
Net profit attributable to shareholders	2,775	4,545	(38.9)	12,971	16,173	(19.8)
Notes:						
Depreciation and amortisation	(1,604)	(1,543)	4.0	(4,734)	(4,311)	9.8
Financial income comprise:						
Interest income	520	214	143.0	1,361	622	118.8
Foreign exchange gain	–	–	–	446	–	n/m
	520	214	143.0	1,807	622	190.5
Financial expense comprise:						
Interest expense	(1,016)	(475)	113.9	(2,532)	(2,057)	23.1
Foreign exchange loss	(28)	(205)	(86.3)	–	(213)	(100.0)
	(1,044)	(680)	53.5	(2,532)	(2,270)	11.5

n/m – not meaningful

	For the three months ended 30 Sept		For the nine months ended 30 Sept	
Earnings per ordinary share in US cents	**2005**	**2004**	**2005**	**2004**
Earnings per ordinary share based on net profit attributable to shareholders:				
(i) Based on existing issued share capital	0.26	0.42	1.20	1.51
(ii) On a fully diluted basis	0.26	0.42	1.20	1.51

BALANCE SHEETS

	Group			Company		
	30 Sept 2005	30 Sept 2004	31 Dec 2004	30 Sept 2005	30 Sept 2004	31 Dec 2004
Amounts in US$'000	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
EQUITY						
Share capital	10,816	10,744	10,745	10,816	10,744	10,745
Share premium	68,634	66,601	66,609	68,773	66,740	66,748
Translation reserves	(68,278)	(68,448)	(68,617)	–	–	–
Revenue reserves	138,980	136,914	148,853	(23,083)	(7,736)	1,244
	150,152	145,811	157,590	56,506	69,748	78,737
Minority interest	(148)	40	(9)	–	–	–
	150,004	145,851	157,581	56,506	69,748	78,737
ASSETS LESS LIABILITIES						
Fixed assets	48,243	47,288	48,832	–	–	–
Subsidiaries	–	–	–	16,709	16,707	16,709
Intangible assets	14,840	15,289	15,156	–	–	–
Other assets	8,551	8,597	6,230	–	–	–
Current assets						
Inventories	57,826	40,115	35,679	–	–	–
Biological assets*	38,513	37,508	37,248	–	–	–
Trade debtors	20,847	12,754	23,981	–	–	–
Other debtors, deposits and prepayments	8,843	8,156	7,525	36	94	2
Due from subsidiaries (non-trade)	–	–	–	83,910	81,210	81,386
Due from affiliated companies (trade)	79	6,528	127	–	–	–
Short-term deposits	52,662	19,475	50,681	–	–	–
Cash and bank balances	2,552	1,636	6,836	13	13	12
	181,322	126,172	162,077	83,959	81,317	81,400

* *Biological assets consist of deferred growing crops and livestock.*

BALANCE SHEETS *(Cont'd)*

Amounts in US$'000	Group			Company		
	30 Sept 2005 Unaudited	**30 Sept 2004 Unaudited**	**31 Dec 2004 Audited**	**30 Sept 2005 Unaudited**	**30 Sept 2004 Unaudited**	**31 Dec 2004 Audited**
Current liabilities						
Trade creditors	11,966	7,834	8,997	–	–	–
Other creditors and accruals	15,873	15,328	18,191	167	47	392
Due to subsidiaries (non-trade)	–	–	–	43,995	28,229	18,980
Short-term borrowings (unsecured)	57,614	12,872	29,810	–	–	–
Provision for taxation	670	29	1,176	–	–	–
	86,123	36,063	58,174	44,162	28,276	19,372
Net current assets	95,199	90,109	103,903	39,797	53,041	62,028
Non-current liabilities						
Due to an affiliated company (non-trade)	(7,899)	(7,681)	(7,715)	–	–	–
Deferred tax liabilities	(8,323)	(7,751)	(8,457)	–	–	–
Long-term lease payable	(607)	–	(368)	–	–	–
	150,004	145,851	157,581	56,506	69,748	78,737

Net asset value per ordinary share in US cents	Group			Company		
	30 Sept 2005 Unaudited	**30 Sept 2004 Unaudited**	**31 Dec 2004 Audited**	**30 Sept 2005 Unaudited**	**30 Sept 2004 Unaudited**	**31 Dec 2004 Audited**
Net asset value per ordinary share	13.87	13.57	14.67	5.22	6.49	7.33

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

THE GROUP

Amounts in US$'000	Share capital	Share premium	Translation reserves	Revenue reserves	Total
As at 1 January 2004	10,721	65,936	(67,665)	140,291	149,283
As at 1 July 2004	10,744	66,595	(68,304)	138,171	147,206
Currency translation differences	–	–	(144)	–	(144)
Shares issued under share option plan	–	6	–	–	6
Net profit attributable to shareholders	–	–	–	4,545	4,545
Dividends	–	–	–	(5,802)	(5,802)
As at 30 September 2004	10,744	66,601	(68,448)	136,914	145,811
Net gains and (losses) not recognised in profit and loss account	–	–	(144)	–	(144)
As at 1 January 2005	10,745	66,609	(68,617)	148,853	157,590
As at 1 July 2005	10,788	67,861	(68,531)	139,555	149,673
Currency translation differences	–	–	253	–	253
Shares issued under share option plan	28	773	–	–	801
Net profit attributable to shareholders	–	–	–	2,775	2,775
Dividends	–	–	–	(3,350)	(3,350)
As at 30 September 2005	10,816	68,634	(68,278)	138,980	150,152
Net gains and (losses) not recognised in profit and loss account	–	–	253	–	253

UNAUDITED STATEMENTS OF CHANGES IN EQUITY *(Cont'd)*

THE COMPANY

Amounts in US$'000	**Share capital**	**Share Premium**	**Revenue Reserves**	**Total**
As at 1 January 2004	10,721	66,075	676	77,472
As at 1 July 2004	10,744	66,734	(1,446)	76,032
Shares issued under share option plan	–	6	–	6
Net profit attributable to shareholders	–	–	(488)	(488)
Dividends	–	–	(5,802)	(5,802)
As at 30 September 2004	10,744	66,740	(7,736)	69,748
As at 1 January 2005	10,745	66,748	1,244	78,737
As at 1 July 2005	10,788	68,000	(19,225)	59,563
Shares issued under share option plan	28	773	–	801
Net loss attributable to shareholders	–	–	(508)	(508)
Dividends	–	–	(3,350)	(3,350)
As at 30 September 2005	10,816	68,773	(23,083)	56,506

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in US$'000	For the three months ended 30 Sept 2005	2004	For the nine months ended 30 Sept 2005	2004
Cash flows from operating activities				
Net Profit attributable to shareholders	2,775	4,545	12,971	16,173
Adjustments for:				
Depreciation and amortisation	1,604	1,543	4,734	4,311
Provision for (write-back) asset impairment	(18)	(4)	502	(11)
Provision for inventory obsolescence	830	1,068	1,377	1,899
Provision for doubtful debts	380	227	456	301
Provision for product disposal and off-spec products	1,000	–	2,000	–
Provision for (write-back) deferred income tax	(104)	67	(192)	392
(Gain) on disposal of fixed assets	(9)	(46)	(52)	(125)
Minority Interest	(33)	(4)	(138)	(4)
Operating profit before working capital changes	6,425	7,396	21,658	22,936
Decrease (increase) in:				
Other assets	(355)	(581)	(2,321)	(2,564)
Inventories	(5,734)	4,177	(23,527)	269
Biological assets	145	(2,103)	(1,265)	(3,274)
Trade debtors	(4,565)	(1,102)	2,926	9,240
Other debtors, deposits and prepayments	(458)	(830)	(1,571)	(1,076)
Increase (decrease) in:				
Trade creditors, other creditors and accruals	521	(609)	(1,109)	(5,087)
Due from (to) affiliated companies (trade and non-trade)	266	(992)	232	(2,519)
Provision for taxation	(499)	(364)	(506)	(703)
Net cash provided by (used in) operating activities	(4,254)	4,992	(5,483)	17,222
Cash flows from investing activities				
Proceeds from disposal of fixed assets	104	165	162	248
Purchase of fixed assets	(1,642)	(810)	(4,143)	(1,915)
Acquisition of subsidiary companies, net of debt	–	(7,355)	–	(7,355)
Net cash used in investing activities	(1,538)	(8,000)	(3,981)	(9,022)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*

	For the three months ended 30 Sept		For the nine months ended 30 Sept	
Amounts in US$'000	**2005**	**2004**	**2005**	**2004**
Cash flows from financing activities				
Short-term borrowings	4,408	(17,205)	27,804	(18,404)
Proceeds from exercise of stock options	801	6	2,096	688
Dividends paid	(3,350)	(5,802)	(22,844)	(19,550)
Net cash provided by (used in) financing activities	1,859	(23,001)	7,056	(37,266)
Effect of exchange rate changes on cash and cash equivalents	195	(91)	105	(333)
Net decrease in cash and cash equivalents	(3,738)	(26,100)	(2,303)	(29,399)
Cash and cash equivalents, beginning of period	58,952	47,211	57,517	50,510
Cash and cash equivalents, end of period	55,214	21,111	55,214	21,111

Supplemental Disclosures of Cash Flow Information

	For the three months ended 30 Sept		For the nine months ended 30 Sept	
Amounts in US$'000	**2005**	**2004**	**2005**	**2004**
(a) Cash paid (received) during the year, included in operating activities				
Interest expenses	796	409	2,023	1,901
Interest income	(508)	(214)	(1,294)	(582)
Income taxes	1,268	562	3,504	2,043
(b) Analysis of the balances of cash and cash equivalents				
Cash and bank balances	2,552	1,636	2,552	1,636
Short-term deposits	52,662	19,475	52,662	19,475
	55,214	21,111	55,214	21,111

NOTES TO THE FINANCIAL STATEMENTS

1. FINANCIAL HIGHLIGHTS IN SINGAPORE DOLLARS

Amounts in S$'000 unless otherwise stated	For the three months ended 30 Sept 2005	2004	YoY Change (%)	For the nine months ended 30 Sept 2005	2004	YoY Change (%)
Turnover	85,010	87,130	(2.4)	252,732	226,367	11.6
Gross profit	20,029	21,796	(8.1)	62,127	59,027	5.3
Gross profit margin (%)	23.6	25.0	(1.4 ppt)	24.6	26.1	(1.5 ppt)
EBITDA	9,280	11,734	(20.9)	34,845	40,591	(14.2)
EBITDA margin (%)	10.9	13.5	(2.6 ppt)	13.8	17.9	(4.1 ppt)
PBIT	6,539	8,727	(25.1)	27,770	32,900	(15.6)
PBIT margin (%)	7.7	10.0	(2.3 ppt)	11.0	14.5	(3.5 ppt)
Net profit	4,662	7,817	(40.4)	21,402	27,494	(22.2)
Net profit margin (%)	5.5	9.0	(3.5 ppt)	8.5	12.1	(3.6 ppt)
EPS (SG cents)	0.44	0.72	(38.9)	1.98	2.57	(23.0)
Net cash/(debt)	(4,032)	14,171	n/m	(3,960)	14,006	n/m
Cash flow from/(used in) operations	(7,147)	8,586	n/m	(9,047)	29,277	n/m
Capital expenditure	2,759	1,393	98.1	6,836	3,256	110.0
Dividend per share (SG cents)	–	–	–	0.51	0.92	(44.6)

Note: P&L S$/US$ conversion rate: 1.68 in 3Q05 and 1.65 in 9M05 (3Q04: 1.72 & 9M05: 1.70)

n/m – not meaningful

2. AUDIT

Third quarter 2005 figures have neither been audited nor reviewed by the Group's auditors.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except for the following standards which became effective on 1 January 2005. The Group's adoption of the new and revised standards has no significant impact on current and prior periods.

- IFRS 2 Share-Based Payment;
- IAS 1 Presentation of Financial Statements (amended 2004);
- IAS 2 Inventories (revised 2003);
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (revised 2003);
- IAS 10 Events after the Balance Sheet Date (amended 2004);
- IAS 16 Property, Plant and Equipment (amended 2004);
- IAS 17 Leases (amended 2004);
- IAS 21 The Effects of Changes in Foreign Exchange Rates (revised 2003);

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

- IAS 24 Related Party Disclosures (revised 2003);
- IAS 27 Consolidated and Separate Financial Statements (amended 2004);
- IAS 32 Financial Instruments: Disclosure and Presentation (amended 2004);
- IAS 33 Earnings per Share (amended 2004); and
- IAS 39 Financial Instruments: Recognition and Measurement (amended 2004).

4. GROUP SEGMENTAL REPORTING

By business segments

For the nine months ended 30 Sept 2005 *in US$'000*	**Processed Products**	**Beverages**	**Non-Processed Products**	**Consolidated**
Turnover	99,729	45,306	8,136	153,171
Profit from operations, representing segment result	9,806	5,707	871	16,384
Net foreign exchange gain	290	137	19	446
Profit before interest and taxation	10,096	5,844	890	16,830
Net interest expense	(672)	(452)	(47)	(1,171)
Profit before taxation	9,424	5,392	843	15,659
Taxation				(2,826)
Minority Interest				138
Net profit attributable to shareholders				12,971
Segment assets	121,488	70,024	6,230	197,742
Unallocated assets				55,214
Consolidated total assets				252,956
Segment liabilities	25,576	10,156	613	36,345
Unallocated liabilities				66,607
Consolidated total liabilities				102,952
Capital expenditure	2,144	1,879	120	4,143
Depreciation	2,425	1,860	132	4,417
Amortisation	160	147	10	317
Non-cash expenses (net) other than depreciation and amortisation	3,323	629	1	3,953

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

For the nine months ended 30 Sept 2004 *in US$'000*	**Processed Products**	**Beverages**	**Non-Processed Products**	**Consolidated**
Turnover	86,644	38,763	7,750	133,157
Profit from operations, representing segment result	11,440	8,094	32	19,566
Net foreign exchange gain	(124)	(86)	(2)	(213)
Profit before interest and taxation	11,316	8,007	30	19,353
Net interest expense	(852)	(572)	(11)	(1,435)
Profit before taxation	10,464	7,435	19	17,918
Taxation				(1,749)
Minority interest				4
Net profit attributable to shareholders				16,173
Segment assets	117,885	50,920	7,430	176,235
Unallocated assets				21,111
Consolidated total assets				197,346
Segment liabilities	23,031	6,737	1,075	30,843
Unallocated liabilities				20,652
Consolidated total liabilities				51,495
Capital expenditure	1,220	662	33	1,915
Depreciation	2,586	1,371	127	4,084
Amortisation	152	57	18	227
Non-cash expenses (net) other than depreciation and amortisation	1,620	812	20	2,452

By geographical segments

	Turnover For the nine months ended 30 Sept		**Capital expenditure** For the nine months ended 30 Sept		**Total assets** As at 30 Sept	
In US$'000	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Asia	96,218	84,578	4,143	1,915	252,956	197,346
Europe/North America	56,953	48,579	–	–	–	–
Total	153,171	133,157	4,143	1,915	252,956	197,346

5. QUARTERLY TURNOVER AND PBIT BREAKDOWN

In US$'000	**1Q04**	**2Q04**	**3Q04**	**4Q04**	**1Q05**	**2Q05**	**3Q05**
Turnover	36,490	46,010	50,657	66,422	48,022	54,548	50,601
PBIT	6,266	8,013	5,074	15,414	6,122	6,815	3,892
Net profit attributable to shareholders	5,062	6,566	4,545	11,939	5,361	4,835	2,775

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

6. INTERESTED PERSON TRANSACTIONS

The aggregate value of interested person transactions conducted pursuant to shareholders mandate obtained in accordance with Chapter 9 of the Singapore Exchanges Listing Manual was as follows:

	For the three months ended 30 Sept		For the nine months ended 30 Sept	
In US$'000	**2005**	**2004**	**2005**	**2004**
Income				
Sales to Cirio Del Monte group*	–	9,274	–	21,071
Sales to Macondray group	472	535	1,213	1,764
Financial income from Cirio Del Monte group*	–	–	–	40
Sub-total	472	9,809	1,213	22,875
Expenses				
Purchases from Cirio Del Monte group*	–	–	–	286
Purchases from Macondray group	467	150	2,340	1,836
Purchases from Waterloo Land and Livestock Co. Pty. Ltd. (WALLCO)	–	2,344	1,296	4,627
Financial expenses to Cirio Del Monte Group*	–	–	–	23
Sub-total	467	2,494	3,636	6,772
Aggregate value	939	12,303	4,849	29,647

* *The Cirio Del Monte group divested its interest in Del Monte Foods Europe to Fresh Del Monte Produce Inc in October 2004. Thereafter, transactions with Del Monte Foods Europe will cease to be Interested Person Transactions within the meaning of Interested Person Transactions in Chapter 9 of the SGX Listing Manual, as Fresh Del Monte Produce Inc is not a shareholder of the Company.*

7. CONTINGENT LIABILITIES

The group is contingently liable with respect to lawsuits, tax assessments, and certain matters arising out of the normal course of business. Management believes that the resolution of these contingencies will not have a material effect on the results of operations or the financial condition of the group.

As at 30 September 2005, the group had outstanding letters of credit amounting to approximately US $0.8 million (30 September 2004: US$0.6 million).

A subsidiary, Del Monte Philippines Inc, has issued a corporate guarantee in favour of a bank for granting bank facilities totaling approximately US$6.0 million to another subsidiary. As at year-end 2004 and 30 September 2005, the said bank facilities have not been utilised.

On 16 August 2004, Del Monte Philippines Inc, has issued a corporate guarantee in favour of a bank for granting bank facilities totaling approximately US$4.0 million to another Company subsidiary, Great Lakes (Tianjin) Fresh Foods and Juice Company Ltd (Great Lakes). As at 30 September 2005, Great Lakes has fully utilised US$4.0 million bank facilities of which US$1.5 million was used to refinance existing loan at lower interest rate and the balance to finance capital expenditure and operating expenses.

B AUDITED FINANCIAL INFORMATION

Set out below are the audited consolidated and company balance sheets, consolidated and company profit and loss accounts, consolidated and company statements of changes in equity, consolidated statement of cash flows and notes to the financial statements for the years ended 31 December 2003 and 31 December 2004 reproduced from the audited financial statements published in the Del Monte's annual report for the year ended 31 December 2004. The notes to such financial statements (as set out below) state that the financial statements have been prepared in accordance with IFRS and, save as otherwise disclosed in the notes, are consistent with those accounting policies used in the previous relevant financial year. As at the Latest Practicable Date, the Company has insufficient information to assess the accuracy of the financial statements and compliance thereof with IFRS accordingly, the Company takes no responsibility for their contents, other than in respect of their being correctly and fairly reproduced and presented.

BALANCE SHEETS

for the year ended 31 December 2004
(Amounts in United States dollars)

		Group		Company	
		2004	2003	2004	2003
	Note	*$'000*	*$'000*	*$'000*	*$'000*
EQUITY					
Share capital	3	10,745	10,721	10,745	10,721
Share premium	4	66,609	65,936	66,748	66,075
Translation reserves	2	(68,617)	(67,665)	–	–
Revenue reserves		148,853	140,291	1,244	676
		157,590	149,283	78,737	77,472
Minority interest		(9)	–	–	–
		157,581	149,283	78,737	77,472
ASSETS LESS LIABILITIES					
Fixed assets	5	48,832	48,719	–	–
Subsidiaries	6	–	–	16,709	10,149
Intangible assets	7	15,156	9,316	–	–
Other assets	8	6,230	6,033	–	–
Current assets					
Inventories	9	35,679	41,529	–	–
Biological assets	10	37,248	34,234	–	–
Trade debtors	11	23,981	20,672	–	–
Other debtors, deposits and prepayments	12	7,525	6,806	2	–
Due from subsidiaries (non-trade)	13	–	–	81,386	80,139
Due from affiliated companies (trade)		127	3,825	–	–
Short-term deposits		50,681	46,030	–	–
Cash and bank balances		6,836	4,480	12	6
		162,077	157,576	81,400	80,145

BALANCE SHEETS *(Cont'd)*
for the year ended 31 December 2004
(Amounts in United States dollars)

		Group		Company	
		2004	**2003**	**2004**	**2003**
	Note	*$'000*	*$'000*	*$'000*	*$'000*
Current liabilities					
Trade creditors		8,997	8,827	–	–
Other creditors and accruals	*14*	18,191	16,579	392	467
Due to subsidiaries (non-trade)	*13*	–	–	18,980	12,355
Short-term borrowings (unsecured)	*16*	29,810	31,276	–	–
Provision for taxation		1,176	732	–	–
		58,174	57,414	19,372	12,822
Net current assets		103,903	100,162	62,028	67,323
Non-current liabilities					
Due to an affiliated company (non-trade)	*17*	(7,715)	(7,497)	–	–
Deferred tax liabilities	*23*	(8,457)	(7,450)	–	–
Long-term lease payable		(368)	–	–	–
		157,581	149,283	78,737	77,472

The accompanying notes are an integral part of the financial statements.

PROFIT AND LOSS ACCOUNTS
for the year ended 31 December 2004
(Amounts in United States dollars)

		Group		Company	
		2004	**2003**	**2004**	**2003**
	Note	*$'000*	*$'000*	*$'000*	*$'000*
Turnover	*18*	199,579	199,235	22,541	23,256
Cost of sales		(143,219)	(141,647)	–	–
Gross profit		56,360	57,588	22,541	23,256
Distribution and selling expenses		(11,010)	(12,358)	–	–
General and administration expenses		(4,071)	(3,373)	(1,647)	(1,546)
Other operating expenses	*19*	(6,291)	(8,199)	(776)	(445)
Profit from operations	*21*	34,988	33,658	20,118	21,265
Financial income	*22*	761	832	–	–
Financial expenses	*22*	(2,575)	(2,599)	–	–
Profit before taxation		33,174	31,891	20,118	21,265
Taxation	*23*	(5,115)	(1,694)	–	–
Profit after taxation		28,059	30,197	20,118	21,265
Minority interest		53	–	–	–
Net profit attributable to shareholders		28,112	30,197	20,118	21,265
Earnings per share (cents)					
– Basic	*25*	2.62	2.82		
– Diluted	*25*	2.61	2.81		

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2004
(Amounts in United States dollars)

The Group

	Share capital $'000	Share premium $'000	Translation reserves $'000	Revenue reserves $'000	Total $'000
As at 1 January 2003, as previously stated	10,716	65,815	(64,360)	130,575	142,746
Adoption of new accounting policy (IAS 41)	–	–	–	632	632
As at 1 January 2003, as restated	10,716	65,815	(64,360)	131,207	143,378
Currency translation differences	–	–	(3,305)	–	(3,305)
Shares issued under share option plan	5	121	–	–	126
Net profit attributable to shareholders	–	–	–	30,197	30,197
Dividends *(Note 24)*	–	–	–	(21,113)	(21,113)
As at 31 December 2003	10,721	65,936	(67,665)	140,291	149,283
Net gains and losses not recognised in profit and loss accounts	–	–	(3,305)	–	(3,305)
As at 1 January 2004	10,721	65,936	(67,665)	140,291	149,283
Currency translation differences	–	–	(952)	–	(952)
Shares issued under share option plan	24	673	–	–	697
Net profit attributable to shareholders	–	–	–	28,112	28,112
Dividends *(Note 24)*	–	–	–	(19,550)	(19,550)
As at 31 December 2004	10,745	66,609	(68,617)	148,853	157,590
Net gains and losses not recognised in profit and loss accounts	–	–	(952)	–	(952)

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY *(Cont'd)*
for the year ended 31 December 2004
(Amounts in United States dollars)

The Company

	Share capital *$'000*	Share premium *$'000*	Revenue reserves *$'000*	Total *$'000*
As at 1 January 2003	10,716	65,954	524	77,194
Shares issued under share option plan	5	121	–	126
Net profit attributable to shareholders	–	–	21,265	21,265
Dividends *(Note 24)*	–	–	(21,113)	(21,113)
As at 31 December 2003	10,721	66,075	676	77,472
As at 1 January 2004	10,721	66,075	676	77,472
Shares issued under share option plan	24	673	–	697
Net profit attributable to shareholders	–	–	20,118	20,118
Dividends *(Note 24)*	–	–	(19,550)	(19,550)
As at 31 December 2004	10,745	66,748	1,244	78,737

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2004

(Amounts in United States dollars)

	2004	2003
	$'000	*$'000*
Cash flows from operating activities		
Net profit attributable to shareholders	28,112	30,197
Adjustments for:		
Depreciation and amortisation	5,737	5,499
Provision for inventory obsolescence	2,549	2,132
Provision for asset impairment	168	137
Provision for doubtful trade debts	79	177
Provision for (write-back of) deferred income tax	1,162	(465)
Gain on disposal of fixed assets	(75)	–
Minority interest	(53)	–
Operating profit before working capital changes	37,679	37,677
Decrease (increase) in:		
Other assets	(195)	(682)
Inventories	4,062	(2,443)
Biological assets	(3,014)	2,460
Trade debtors	(1,765)	(1,251)
Other debtors, deposits and prepayments	(445)	(1,170)
Due from shareholder companies	–	456
Increase (decrease) in:		
Trade creditors, other creditors and accruals	(693)	399
Due to affiliated companies (trade and non-trade)	3,916	1,893
Provision for taxation	444	(407)
Net cash generated from operating activities	39,989	36,932
Cash flows from investing activities		
Proceeds from disposal of fixed assets	146	46
Purchase of fixed assets	(4,918)	(7,559)
Acquisition of subsidiary companies, net of debt *(note 6)*	(7,357)	–
Net cash used in investing activities	(12,129)	(7,513)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*
for the year ended 31 December 2004
(Amounts in United States dollars)

	2004	2003
	$'000	*$'000*
Cash flows from financing activities		
(Repayment) short-term borrowings	(1,466)	16,044
Dividends paid	(19,550)	(21,113)
Proceeds from exercise of stock option	697	126
Net cash used in financing activities	(20,319)	(4,943)
Effect of exchange rate changes on cash and cash equivalents	(534)	(1,803)
Net increase in cash and cash equivalents	7,007	22,673
Cash and cash equivalents, beginning of year	50,510	27,837
Cash and cash equivalents, end of year	57,517	50,510

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2004	2003
	$'000	*$'000*
(a) Cash paid (received) during the year, included in operating activities		
Interest expenses	2,166	1,697
Interest income	(655)	(751)
Income taxes	3,492	2,632
(b) Analysis of the balances of cash and cash equivalents		
Cash and bank balances	6,836	4,480
Short-term deposits	50,681	46,030
	57,517	50,510

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

These notes are an integral part of and should be read in conjunction with the accompanying financial statements.

1. DOMICILE AND PRINCIPAL ACTIVITIES

The financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors dated 15 March 2005.

The Company was incorporated in the British Virgin Islands on 27 May 1999 under the International Business Companies Ordinance, Chapter 291 of the laws of the British Virgin Islands, as an international business company. On 2 August 1999, the Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office of the Company is located at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.

The principal activity of the Company is that of investment holding. Its subsidiaries are principally engaged in growing, processing, and selling canned and fresh pineapples, pineapple concentrate, tropical mixed fruit, tomato-based products, and certain other food products mainly under the brand names of "Del Monte", "Today's" and more recently, "Great Lakes", "Ming Lang" and "Rougemont".

The details of the Company's subsidiaries and their principal activities are set out in Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements, which are expressed in United States dollars ("US dollars"), have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and under the historical cost convention except for the measurement of biological assets (livestock) and agricultural produce (harvested pineapples) at fair value less point-of-sale costs.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year, except for the adoption of the following new and revised IFRS issued by IASB in March 2004:

IFRS 3	Business Combinations
Revised IAS 36	Impairment of Assets
Revised IAS 38	Intangible Assets

In March 2004, IASB issued IFRS 3, revised IAS 36 and revised IAS 38. Accordingly, IAS 22 Business Combinations was withdrawn. IFRS 3 is effective for business combinations for which the agreement date is on or after 31 March 2004. The revised IAS 36 and revised IAS 38 are applicable to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004.

The adoption of IFRS 3, revised IAS 36 and revised IAS 38 resulted in a change in the accounting treatment for goodwill. IFRS 3 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised. Instead, impairment is tested annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The replaced IAS 22 required acquired goodwill to be systematically amortised over its useful life, and included a rebuttable presumption that its useful life could not exceed twenty years from initial recognition.

Had the new standards not been adopted, amortisation charge for the full year ended 31 December 2004 would have been US$150,000.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. All significant intercompany balances and any unrealised profit and loss on intercompany transactions have been eliminated on consolidation.

The formation of the Group in 1999 has been accounted for as a reorganisation of companies under common control using merger accounting. The consolidated financial statements therefore reflect the combined financial statements of all companies that form the Group as if they were a consolidated group for all periods presented. The assets and liabilities of Del Monte Pacific Resources Limited and its subsidiaries contributed to the Company have been reflected at predecessor cost in these consolidated financial statements.

In translating the financial statements of foreign subsidiaries in the preparation of the consolidated financial statements, all the assets and liabilities of those subsidiaries with reporting currencies other than US dollars are translated into US dollars at the rates of exchange in effect at the balance sheet date, and all their income and expense items are translated into US dollars at the average exchange rates during the year. The resulting cumulative translation differences are dealt with as movements in reserves. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation shall be recognised in the profit and loss account.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

Revenue from sale of goods is recognised when goods are delivered, and title has passed to customers.

Dividend income is recognised when the shareholder's right to receive payment is established. Interest income is accrued on a time proportion basis that reflects the effective yield on the asset.

Fixed assets

Fixed assets are stated at cost net of depreciation and any impairment loss. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of the fixed asset.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Fixed assets *(Cont'd)*

Depreciation is calculated on a straight-line basis over its expected useful life as follows:

	Years
Freehold buildings	30 - 45
Buildings, land improvements and leasehold improvements	3 - 45
Machinery and equipment	3 - 15
Dairy and breeding herd	3.5 - 6

Land improvements, comprising expenditures on infrastructure improvements including building of roads and irrigation system, etc., are depreciated over their expected useful lives or, where shorter, the lease term of the related land.

Leasehold improvements are depreciated over their expected useful lives or, where shorter, the terms of the lease.

Dairy and breeding herd relates to livestock (cattle) being reared for milking and breeding purposes.

The useful life and depreciation method are revised periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

Fully depreciated assets are retained in the financial statements until they are no longer in use, and no further charge for depreciation is made in respect of these assets.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposals is included in the profit and loss account.

Interest costs on borrowings to finance the construction of plant and properties are capitalised, during the period of time that is required to complete the construction project, as part of the cost of the fixed assets.

Construction-in-progress

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs (plus borrowing costs which include interest charges attributable to borrowings used to finance these projects during the construction period and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs).

No provision for depreciation is charged on construction-in-progress until such time as the relevant assets are completed and put into operational use.

Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly controls more than half of the voting power, or controls the composition of the board of directors.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Affiliated companies

An affiliated company is a company, not being a subsidiary or an associated company, in which one or more of the shareholders and/or directors of the Company have a significant equity interest or can exercise significant influence over its operating and financial policies and decisions.

Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition.

Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the profit and loss account through the 'other operating expenses' line item.

Intangible assets, created within the business are not capitalised, and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment annually either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis.

Research and development costs

Research costs are charged to the profit and loss account as incurred. Development costs of a project are recognised as an asset when its future recoverability can reasonably be regarded as assured. Capitalised development costs are amortised over the period of expected future sales from the related project.

Other development costs are charged to profit and loss account when incurred.

Impairment of assets

(a) Financial instruments

Financial instruments are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Company or Group will not collect all amounts due according to the contractual terms of receivables or held-to-maturity investments, an impairment or bad debt loss is recognised in the profit and loss account. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded in the profit and loss account. However, the increased carrying amount is only recognised to the extent it does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of assets *(Cont'd)*

(b) Other assets

Fixed assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account for items of fixed assets and intangible assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for an asset no longer exists or has decreased and is recorded in the profit and loss account.

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of finished goods is based on the weighted average method, while the cost of production materials and storeroom items is based on the weighted moving average method. Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, where appropriate, and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Operating leases

Leases of assets, where substantially all the rewards and risks of ownership are effectively retained by the leasing company, are accounted for as operating leases. Rental payments under operating leases are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Income tax

Income tax expense is determined on the basis of tax effect accounting, using the liability method, and is applied to all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities and the amounts used for tax purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax liabilities are not provided on undistributed earnings of foreign subsidiaries to the extent the earnings are intended to remain indefinitely invested in those entities. A deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortisation is not deductible for tax purposes.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred acquisition costs

Deferred acquisition costs relate to costs which are directly attributed to a particular acquisition of investment being considered by the Group. Such deferred acquisition costs would be capitalised as part of the cost of investment upon the consummation of the related acquisition. Other general administrative costs, including the cost of maintaining an acquisition department, are recognised as expense as incurred.

Deferred acquisition costs are written off to the profit and loss account when, in the opinion of the directors, the consummation of such acquisition is deemed remote.

Financial instruments

As of the end of the financial year, the Company's and Group's financial instruments mainly consisted of cash and cash equivalents, receivables, payables, short-term borrowings and non-current payables. The carrying amounts of the Company's and Group's cash and cash equivalents approximate their fair values because of the short maturity of those instruments.

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

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade payables are normally settled on 15 to 30-day terms.

The carrying amounts of the short-term borrowings approximate their fair values based on borrowing rates currently available for short-term borrowings with similar terms and maturity. Where the effect of time value of money is material, the non-current liabilities are the present value of the expenditures expected to be required to settle the obligation.

Receivables are carried at anticipated realisable value after provision for doubtful accounts. An estimated provision for doubtful debt is made when collection of the amount is no longer probable. Bad debts are written off to the profit and loss account as incurred. Trade receivables generally have 7 to 75-day terms.

Trade receivables which are factored out to financial institutions without recourse to the Group are treated as being fully settled. The corresponding payments from the financial institutions are recorded as cash receipts from customers and no liability is recognised.

Trade receivables which are factored out to financial institutions with recourse to the Group are not treated as being settled. The corresponding payments from the financial institutions are recorded as cash receipts from these institutions and corresponding bank borrowings are recognised.

Reserves

Capital reserve, comprising share premium, is created from the difference arising from the issue of ordinary shares of the Company at an issue price higher than the par value of the shares.

Translation reserve is intended for reflection of translation differences arising on consolidation of financial statements of foreign entities.

Foreign currencies

The Company and its subsidiaries maintain their books and records in their respective measurement currencies.

Transactions in foreign currencies other than the measurement currencies during the year are translated at the exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies other than the measurement currencies are translated at rates of exchange in effect at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

The Group uses forward exchange contracts to manage its foreign exchange exposure on forecasted imports, forecasted exports, and existing foreign currency denominated receivables and payables. On inception, the Group's Treasury identifies certain forward exchange contracts as either (a) a hedge of the fair value of an asset or a liability (fair value hedge), or (b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies *(Cont'd)*

The Group's criteria for hedge accounting treatment include: (1) the hedging transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, (2) the effectiveness of the hedge can be reliably measured, (3) there is adequate documentation of the hedging relationships at the inception of the hedge, and (4) for cash flow hedges, the forecasted transaction that is the subject of the hedges must be highly probable.

(a) Fair value hedge

Derivatives classified as fair value hedges are carried at fair value with the corresponding change in fair value recognised in the profit and loss account. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged risk and the gain or loss associated with that measurement is also recognised in the profit and loss account.

When the hedge ceases to be highly effective, hedge accounting is discontinued.

(b) Cash flow hedge

Changes in the fair value of a hedging instrument, that qualifies as a highly effective cash flow hedge, are recognised directly in the translation reserve account in shareholders' equity. The ineffective portion is immediately recognised in the profit and loss account.

If the hedged cash flow results in the recognition of an asset or a liability, all gains and losses previously recognised directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognised in equity are transferred from the translation reserve account to the profit and loss account in the same period or periods during which the hedged firm commitment or forecasted transaction affects the profit and loss account.

When the committed or forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is transferred to the profit and loss account.

Forward exchange contracts that are not designated as either fair value or cash flow hedges are classified as held-for-trading and carried at fair value, with changes in fair value included in the profit and loss account.

Deferred growing crops

Deferred growing crops are stated at cost. Expenditures on growing crops include land preparation expenses and other direct expenses incurred during the cultivation period of the primary and ratoon crops. These expenditures on growing crops are deferred and taken into the inventory account based on the estimated total yield during the estimated growth cycle of three years.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Retirement plan

A subsidiary, Del Monte Philippines, Inc, operates a defined benefit plan, the assets of which are generally held in separate trustee administered funds. The pension plans are generally funded by the subsidiary, taking into account the recommendations of independent qualified actuaries. The subsidiary also has a contributory provident plan covering participating employees.

The subsidiary uses the projected unit credit method to account for the retirement plan obligations. Under the projected unit credit method, the cost of providing this pension is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every two years. The pension obligation is measured as the present value of the estimated future cash flows using an interest rate of 11% per annum. Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets. The actuarial gains and losses are spread forward and taken to the profit and loss account over the expected average remaining service lives of employees.

The subsidiary's contributions to the contributory provident plan are charged to the profit and loss account in the year to which they relate.

Employee stock option plan

The Company has an Executive Stock Option Plan for the granting of non-transferable options to purchase the Company's shares. Compensation cost is not recognised in the Company's and the Group's financial statements for the fair value or the intrinsic value of the share options issued.

Biological assets and agricultural produce

Agricultural activity is the management by an enterprise of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets.

Biological assets and agricultural produce, at the point of harvest, are to be measured on initial recognition at their fair value less estimated point-of-sales costs. Biological assets (livestock) are also measured at each balance sheet date at their fair value less point-of-sale costs. Gain and loss arising from these measurements should be included in the net profit or loss for the period in which it arises. However, where the fair value of the biological assets cannot be measured reliably, the biological assets should be stated at cost less accumulated depreciation and any accumulated impairment losses.

The Group states its biological assets (livestock) and its agricultural produce (harvested pineapples), at the point of harvest, at its fair value less estimated point-of-sale costs, except for some of its biological assets (growing crops) where the fair value cannot be measured reliably. For such biological assets, they are measured at costs less any accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Biological assets and agricultural produce *(Cont'd)*

Changes in fair values less estimated point-of-sale costs of livestock and harvested pineapples included in the profit and loss account are as follows:

Net changes in fair value	2004	2003
	$'000	*$'000*
Included in costs of sales, relating to livestock and harvested pineapples sold during the year	6,450	8,010
Included in operating expenses, relating to biological assets remaining unsold as at the end of the year	(475)	512
Total net changes in fair value	5,975	8,522

Due to the net changes in fair value of biological assets that remain unsold at each reporting period, the Group's profit before interest and tax ("PBIT") and net profit for 2004 decreased by approximately $475,000 and $402,000 (2003: increased by $512,000 and $485,000), respectively.

IAS 41 Impact on profitability	2004	2003
	$'000	*$'000*
PBIT	(475)	512
Net profit	(402)	485

Deferred tax liability arising from the temporary differences between the tax base of biological assets and their carrying amount is accounted for in accordance with the accounting policy stated above.

Cash and cash equivalents

Cash represents cash on hand and deposits with banks or other financial institutions which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

3. SHARE CAPITAL

	2004 *$'000*	2003 *$'000*
Authorised		
– 2,000,000,000 (2003: 2,000,000,000) ordinary shares of $0.01 each	20,000	20,000
Issued and fully paid		
Beginning of year		
– 1,072,079,194 (2003: 1,071,629,194) ordinary shares of $0.01 each	10,721	10,716
Issued during the year		
– 2,404,000 (2003: 450,000) ordinary shares of $0.01 each	24	5
End of year		
– 1,074,483,194 (2003: 1,072,079,194) ordinary shares of $0.01 each	10,745	10,721

Outstanding options

As at 31 December 2004, the outstanding options to subscribe to the Company's ordinary shares of US$0.01 each are as follows:

Date of grant	Description	1 January 2004 or date of grant, if later	Options lapsed	Options exercised	31 December 2004	No. of holders	Exercise price [1]	Exercise period
30.7.1999	IPO Options [2]	5,615,265	672,571	–	4,942,694	25	US$0.504	30.7.2000 -29.7.2009
2.3.2001	Market Price Options [3]	11,060,000	150,000	2,350,000	8,560,000	32	S$0.490	2.3.2003 -1.3.2011
29.5.2002	Market Price Options [4]	2,870,000	160,000	54,000	2,656,000	88	S$0.470	29.5.2004 -28.5.2012

(1) On 20 December 1999, the SGX-ST approved the conversion of the quotation of the Company's shares to Singapore dollars (S$) from United States dollars (US$).

(2) Pursuant to the ESOP Scheme, the Company granted 11,428,571 Initial Public Offering Options ("IPO Options") in July 1999 to certain controlling shareholders and their associates, directors, officers and senior managers of the Group. Each IPO Option entitles its holder to subscribe to one share at the IPO Price of US$0.63, less a 20% discount, or US$0.504 (as at 11 March 2005, this is equivalent to about S$0.816).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

3. SHARE CAPITAL *(Cont'd)*

The IPO Options are exercisable based on the following terms:

Option exercise period	Terms
From 30 July 2000 to 29 July 2001	(i) Up to 30 percent of IPO Options granted
From 30 July 2001 to 29 July 2002	(ii) Up to 60 percent of IPO Options granted including (i) above
From 30 July 2002 to 29 July 2009	(iii) 100 percent of IPO Options granted

Except for the following IPO Options granted to controlling shareholders and their associates since the start of the ESOP Scheme, no other share options have been granted to controlling shareholders and their associates as at the date of this report:

Controlling shareholders and their associates	Aggregate Options granted 1 January 2004	Granted during the year	Aggregate Options exercised	Aggregate Options lapsed	Aggregate Options outstanding 31 December 2004
Martin P Lorenzo	1,269,841	–	–	–	1,269,841
Regina Lorenzo H-Davila	190,477	–	–	–	190,477
Marco P Lorenzo	175,502	–	–	–	175,502

(3) In 2001, pursuant to the ESOP Scheme, the Company granted 14,050,000 options, which are exercisable based on a subscription price equal to the average of the last dealt prices for the Company's share on the SGX-ST for the three consecutive trading days immediately preceding the offering date of the option, without any discount ("Market Price Options"), to directors, officers and senior managers of the Group, none of whom are controlling shareholders, and the latter's associates. Each of these Market Price Options entitles its holder to subscribe to one share at S$0.49.

The Market Price Options are exercisable based on the following terms:

Option exercise period	Terms
From 2 March 2003 to 1 March 2004	(i) Up to 60 percent of Market Price Options granted
From 2 March 2004 to 1 March 2011	(ii) 100 percent of Market Price Options granted

(4) In 2002, the Company granted a second batch of Market Price Options to new senior managers and managerial employees not covered by the first grant of Market Price Options. A total of 3,250,000 Market Price Options were granted based on a subscription price equal to the average of the last dealt prices for the Company's share on the SGX-ST for the three consecutive trading days immediately preceding the offering date of the option, without any discount. Each of these Market Price Options entitles its holder to subscribe to one share at S$0.47.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004
(Amounts in United States dollars unless otherwise stated)

3. SHARE CAPITAL *(Cont'd)*

The Market Price Options are exercisable based on the following terms:

Option exercise period	**Terms**
From 29 May 2004 to 28 May 2005	(i) Up to 60 percent of Market Price Options granted
From 29 May 2005 to 28 May 2012	(ii) 100 percent of Market Price Options granted

No holder of the options under the ESOP Scheme has received 5% or more of the total options available. Except for options granted to certain directors of the Group who are concurrently directors and/or employees of a controlling shareholder company, no director or employee of a controlling shareholder company has been granted any options. The ESOP Scheme does not extend participation to directors and employees of a controlling shareholder company and its subsidiaries. All outstanding options granted to directors, executives and employees of the Group have a term of 10 years.

Apart from the above, no other options to take up unissued shares were granted during the financial year and as at the date of this report.

The Group and the Company have not recognised any expenses in the financial statements relating to the equity compensation plans in accordance with the Group's accounting policy.

4. SHARE PREMIUM

	Group		**Company**	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
At beginning of year	65,936	65,815	66,075	65,954
Shares issued under share option plan 2,404,000 ordinary shares of $0.01 each (2003: 450,000)	673	121	673	121
At end of year	66,609	65,936	66,748	66,075

Under the British Virgin Islands law in whose jurisdiction the Company operates, the Company's share premium, translation reserves and revenue reserves form part of the Company's surplus account that may be available for dividend distribution.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*
for the year ended 31 December 2004
(Amounts in United States dollars unless otherwise stated)

5. FIXED ASSETS

Group

	Freehold land and buildings	Buildings, land improvements and leasehold improvements	Machinery and equipment	Dairy and breeding herd	Construction-in-progress	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost						
As at 1.1.2004	6,801	4,620	71,850	378	1,211	84,860
Additions	523	8	2,243	–	2,144	4,918
Due to acquisition of subsidiary	–	303	3,053	–	–	3,356
Disposals	(23)	–	(496)	(65)	–	(584)
Reclassifications	3	98	1,032	–	(1,133)	–
Currency realignment	(91)	(53)	(942)	(5)	(16)	(1,107)
As at 31.12.2004	7,213	4,976	76,740	308	2,206	91,443
Accumulated depreciation						
As at 1.1.2004	2,405	1,268	32,180	288	–	36,141
Charge for the year	114	240	4,994	27	–	5,375
Due to acquisition of subsidiary	–	13	1,916	–	–	1,929
Impairment loss	–	168	–	–	–	168
Disposals	(13)	–	(443)	(57)	–	(513)
Currency realignment	(33)	(10)	(442)	(4)	–	(489)
As at 31.12.2004	2,473	1,679	38,205	254	–	42,611
Charge for 2003	96	216	4,844	40	–	5,196
Net book value						
As at 31.12.2004	4,740	3,297	38,535	54	2,206	48,832
As at 31.12.2003	4,396	3,352	39,670	90	1,211	48,719

Interest cost capitalised for the year amounted to Nil (2003: $72,000).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

6. SUBSIDIARIES

	2004	2003
	$'000	*$'000*
Unquoted equity shares, at cost	16,709	10,149

The Company and the Group had the following subsidiaries as at 31 December 2004:

Name of subsidiary	Principal activities	Country of incorporation and place of business	% of equity held by the Group		Cost of investment by the Company	
			2004	2003	2004	2003
			%	%	*$'000*	*$'000*
Held by the Company						
Del Monte Pacific Resources Limited ("DMPRL") (i)	Investment holding	British Virgin Islands	100	100	10,139	10,139
GTL Limited ("GTL") (i)	Trading food products sold mainly under the brand name "Del Monte"	Federal Territory of Labuan, Malaysia	100	100	10	10
DMPL Management Services Pte Ltd ("DMS") (ii)	Providing administrative support and liaison services to the Group	Singapore	100	100	*(iii)*	*(iii)*
DMPL India Pte Ltd (ii)	Investment holding	Singapore	100	0	*(iii)*	0
Abpak Company Limited (iv)	Investment holding	Hong Kong	89	0	6,560	0
					16,709	10,149
Held by DMPRL						
Central American Resources Inc ("CARI") (i)	Investment holding and trading food products mainly under the brand name "Del Monte"	Panama	100	100		
Held by CARI						
Del Monte Philippines, Inc ("DMPI") (v)	Growing, processing and distribution of food products mainly under the brand names "Del Monte" and "Today's"	The Philippines	100	100		

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004
(Amounts in United States dollars unless otherwise stated)

6. SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Principal activities	Country of incorporation and place of business	% of equity held by the Group 2004 %	2003 %
Dewey Limited ("Dewey") *(i)*	Owner of the "Del Monte" and "Today's" trademarks in the Philippines	Bermuda	100	100
Pacific Brands Philippines, Inc ("PBPI") *(v)*	Dormant	State of Delaware, USA	100	100
Hordaland Company Limited ("Hordaland") *(i)*	Dormant	Hong Kong	100	100
Held by DMPL India Pte Ltd				
Del Monte Foods India Private Limited *(vi)*	Manufacturing, processing and distributing food and beverages and other related products	Mumbai, India	100 *(viii)*	0
Held by Abpak Company Limited				
Great Lakes (Tianjin) Fresh Foods and Juice Co., Ltd *(vii)*	Manufacturing and marketing of fruit juice under the brand names "Great Lakes", "Ming Lang" and "Rougemont"	Tianjin, China	89	0

(i) Not required to be audited by law in its country of incorporation
(ii) Audited by Ernst & Young, Singapore
(iii) Cost of investment of $1
(iv) Audited by Ernst & Young, Hong Kong
(v) Audited by SyCip Gorres Velayo & Co, associate firm of Ernst & Young, Singapore
(vi) Audited by Deloitte, Haskins &Sells, Bangalore, India
(vii) Audited by Ernst & Young, Beijing, China
(viii) 0.1% held by DMPRL

In July 2004, the Company acquired 89% of Abpak Company Limited which holds 100% of Great Lakes (Tianjin) Fresh Foods & Juice Co., Ltd ("Great Lakes"), a China-based premium fruit juice producer.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*
for the year ended 31 December 2004
(Amounts in United States dollars unless otherwise stated)

6. SUBSIDIARIES *(Cont'd)*

The acquisition of a subsidiary company has been shown in the consolidated statement of cash flows as a single item. The effect on the individual assets and liabilities at the date of acquisition are set out below:

	$'000
Intangible assets	594
Fixed assets	1,427
Inventories	729
Trade debtors	1,610
Other debtors, deposits and prepayments	274
Cash and bank balances	697
Trade creditors	(1,489)
Other creditors and accruals	(1,354)
Short-term borrowings	(1,494)
Minority interest	(44)
Net assets acquired	950
Goodwill arising on consolidation	5,610
Total consideration (including acquisition related cost)	6,560
Add: Net debt of subsidiary company	797
Cash outflow on acquisition, net of debt	7,357

From the date of acquisition, Abpak group incurred a loss of $480,000 which was included in the net profit of the Group. If the combination had taken place at the beginning of the year, the Group turnover and net profit would have been $207,011,000 and $28,077,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

7. INTANGIBLE ASSETS

Group

	Trademarks	Distribution network	Goodwill	Total
	$'000	*$'000*	*$'000*	*$'000*
Cost				
As at 1 January 2004	12,115	–	–	12,115
Due to acquisition of subsidiary	365	227	5,610	6,202
As at 31 December 2004	12,480	227	5,610	18,317
Accumulated amortisation				
As at 1 January 2004	2,799	–	–	2,799
Amortisation	339	23	–	362
As at 31 December 2004	3,138	23	–	3,161
Net book value				
As at 31 December 2004	9,342	204	5,610	15,156
As at 31 December 2003	9,316	–	–	9,316

Movements in accumulated amortisation during the financial year were as follows:

		Group 2004	Group 2003
		$'000	*$'000*
At beginning of year		2,799	2,496
Amortisation during the year	– Del Monte & Today's trademark	303	303
	– Great Lakes trademark and distribution network	59	–
At end of year		3,161	2,799

In November 1996, a subsidiary, DMPRL, entered into a sub-license agreement with an affiliated company to acquire the exclusive right to use the "Del Monte" trademark in the Indian Sub-continent territories in connection with the production, manufacture, sale and distribution of food products and the right to grant sub-licenses to others ("Indian Sub-continent trademark").

Under the terms of the agreement, a total consideration of $10 million would be payable by DMPRL to the affiliated company for the right to use the trademark. The first sum of $1 million was paid during 1996 and the remaining $9 million will be payable by instalments. Each instalment will equal forty percent of "Net Income" which is determined on the basis specified in the agreement, but the balance of the $9 million has to be paid in any event no later than 30 November 2006. The licensed trademarks were recorded at the net present value of the estimated future cash payments to be made as at 31 December 1996. The difference between the cash price equivalent of the intangible asset and the total payment is capitalised and has been offset against the payable to the affiliated company. In arriving at the net present value of the future cash payments, a discount rate that approximates the cost of funds to the Company has been used. The approximate net carrying amount and the remaining amortisation period of the Indian Sub-continent trademark as at 31 December 2004 are $6,072,000 and 32 years (2003: $6,261,000 and 33 years), respectively.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*
for the year ended 31 December 2004
(Amounts in United States dollars unless otherwise stated)

7. INTANGIBLE ASSETS *(Cont'd)*

In addition, a subsidiary, Dewey, owns the "Del Monte" and "Today's" trademarks for use in connection with processed foods in the Philippines ("Philippine trademarks"). The approximate net carrying amount and the remaining amortisation period of the Philippine trademarks as at 31 December 2004 are $2,941,000 and 26 years (2003: $3,055,000 and 27 years), respectively.

These trademarks give the Group the exclusive perpetual right to use the trademarks in the specified countries. It is expected that a significant amount of revenue will be generated from the use of these trademarks for at least 40 years.

In July 2004, the Company acquired 89% of Abpak Company Limited for an aggregate value of $10,100,000. This includes the initial investment of $6,276,000 plus acquisition related costs of $284,000 for Great Lakes' net assets of $358,000, thus recognising goodwill of $6,202,000. However, with the adoption of IFRS 3, only $592,000 of intangibles with finite life of 5 years is subject to amortisation and the remaining $5,610,000 is subject to annual impairment test. The net carrying amount and the remaining amortisation period of Great Lakes' intangibles (other than goodwill) as at 31 December 2004 are $533,000 and 4.5 years, respectively.

8. OTHER ASSETS

	Group	
	2004	**2003**
	$'000	*$'000*
Advances to growers	3,366	3,291
Security deposit	1,311	1,426
Land expansion (development cost of acquired leased areas)	948	912
Others	605	404
	6,230	6,033

Advances to growers may be applied against the minimum guaranteed profits to growers. Land expansion assets are development costs of newly acquired leased areas which include costs such as creation of access roads, construction of bridges and clearing costs.

9. INVENTORIES

	Group	
	2004	**2003**
	$'000	*$'000*
Finished goods		
– at cost	9,616	16,733
– at net realisable value	134	142
Raw materials and packaging supplies		
– at cost	25,929	24,222
– at net realisable value	–	432
	35,679	41,529

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

9. INVENTORIES *(Cont'd)*

Inventory is stated after provision for inventory obsolescence. Movement in the provision for inventory obsolescence during the financial year are as follows:

	Group	
	2004	**2003**
	$'000	*$'000*
At beginning of year	2,505	440
Provision for the year	2,549	2,132
Write-off against provision	(3,360)	(46)
Currency realignment	(32)	(21)
At end of year	1,662	2,505

10. BIOLOGICAL ASSETS

	Group	
	2004	**2003**
	$'000	*$'000*
Livestock		
– at fair value	3,494	2,623
– at cost	408	1,122
	3,902	3,745
Deferred growing crops – at cost	33,346	30,489
	37,248	34,234

The Group's livestock comprises of live cattle, growing herd, beef herd, dairy and cattle for slaughter. The fair value was determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs. Live cattle are valued at fair value less estimated point-of-sale costs. Growing herd, beef herd, dairy and cattle for slaughter are valued at cost.

Reconciliation of changes in the carrying amount:

	Group	
	2004	**2003**
	$'000	*$'000*
Livestock		
At beginning of year/date of acquisition	3,745	5,724
Currency realignment	(48)	(250)
Increases due to purchases	10,222	14,082
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	55	369
Decreases due to sales	(10,072)	(16,180)
At end of year	3,902	3,745

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

10. BIOLOGICAL ASSETS *(Cont'd)*

	Group 2004 $'000	Group 2003 $'000
Deferred growing crops		
At beginning of year	30,489	30,970
Currency realignment	(408)	(1,302)
Additions	25,817	24,468
Harvested	(22,552)	(23,647)
At end of year	33,346	30,489

11. TRADE DEBTORS

	Group 2004 $'000	Group 2003 $'000
Trade debtors	24,887	21,633
Less provision for doubtful debts	(906)	(961)
	23,981	20,672

Movements in provision for doubtful debts during the financial year were as follows:

	Group 2004 $'000	Group 2003 $'000
At beginning of year	961	956
Provision for the year	79	177
Write-back of provision	(69)	(16)
Write-off against provision	(52)	(114)
Currency realignment	(13)	(42)
At end of year	906	961

12. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Prepayments	4,649	4,093	2	–
Other recoverables	1,410	725	–	–
Deposits	765	796	–	–
Non-trade debtors	595	949	–	–
Downpayment from contractors	106	243	–	–
	7,525	6,806	2	–

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

13. DUE FROM/TO SUBSIDIARIES (NON-TRADE)

These balances are unsecured, non-interest bearing and repayable on demand.

14. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Accrued operating expenses	10,853	10,124	386	461
Customer deposits	3,414	3,324	–	–
Accrued payroll expenses	2,202	1,760	–	–
Value-added tax payable	886	494	–	–
Withheld from employees (taxes and social security cost)	801	858	–	–
Other creditors	35	19	6	6
	18,191	16,579	392	467

Included in the accrued payroll expenses of the Group are retirement benefit obligations of approximately $96,000 (2003: $89,000) (Note 15).

15. RETIREMENT BENEFIT OBLIGATIONS

A subsidiary, DMPI, has a defined benefit retirement plan covering substantially all of its officers and regular full-time employees. The benefits are based on a percentage of latest monthly salary and credited years of service. Total pension contributions charged to the consolidated profit and loss account amounted to about PHP65.4 million or $1,166,000 for the year (2003: PHP58.4 million or $1,076,000). DMPI's annual contribution to the pension plan consists of payments covering the current service cost for the year plus payments towards funding the actuarial accrued liability, if any.

Amount recognised in the balance sheet:

	Group	
	2004	**2003**
	$'000	*$'000*
Present value of funded obligations	28,527	24,600
Fair value of plan assets	(27,154)	(24,298)
Unfunded actuarial liability	1,373	302
Unrecognised actuarial (gains) loss	(1,277)	(213)
Net liability recorded under accrued payroll expenses *(Note 14)*	96	89

The pension plan assets include some of the buildings occupied by the subsidiary under a long-term lease with a fair value of approximately $5,554,000 (2003: $5,554,000).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

The amount recognised in the profit and loss account is as follows:

	Group	
	2004	**2003**
	$'000	*$'000*
Current service cost	1,321	1,070
Interest cost	2,706	2,493
Expected return on plan assets	(2,861)	(2,487)
Total included in staff costs *(Note 20)*	1,166	1,076

The actual return on plan assets was $3,592,000 (2003: $2,854,000).

Movement in the liability recognised in accrued payroll expenses:

	Group	
	2004	**2003**
	$'000	*$'000*
At beginning of year	89	85
Exchange differences	(6)	(28)
Total expense	1,166	1,076
Contributions paid	(1,153)	(1,044)
At end of year	96	89

The funded obligation and plan assets are measured and valued with the advice of qualified actuaries who carry out a full valuation once every two years. The last valuation of these obligations and plans was performed in 2003 wherein the results of these valuations form the basis of the fair value of the funded obligations and plan assets for 2003 and 2004.

The principal actuarial assumptions used for accounting purposes were:

	Group	
	2004	**2003**
	% per annum	**% per annum**
Discount rate	11	11
Expected return on plan assets	11	11
Future salary increases	6.5-8	6.5-10

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

16. SHORT-TERM BORROWINGS (UNSECURED)

The amounts are unsecured, bearing weighted average effective interest rates at 2.0% to 8.4% (2003: 1.9% to 10.5%) per annum and mature within twelve months.

The interest rate exposure of the borrowings of the Group was as follows:

	Group	
	2004	**2003**
	$'000	*$'000*
Total borrowings at floating rates	29,810	31,276

17. DUE TO AN AFFILIATED COMPANY (NON-TRADE)

The balance is unsecured, non-interest bearing and is repayable based on the terms as disclosed in Note 7.

18. TURNOVER

Turnover of the Company comprises of dividend income from its investment in subsidiaries.

Turnover of the Group comprises of gross invoiced sales, net of discounts and returns, and is recognised when goods are delivered, and title has passed to customers. Significant intra-group transactions have been excluded from Group turnover.

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Sale of goods	199,579	199,235	–	–
Dividend income from unquoted investment in subsidiaries	–	–	22,541	23,256
	199,579	199,235	22,541	23,256

19. OTHER OPERATING EXPENSES

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Provision for inventory obsolescence	2,549	2,132	–	–
Incentive award benefit *(Note 26)*	434	1,800	–	–
Direct write-off of inventories	–	1,232	–	–
Write-off of deferred acquisition costs	486	351	486	351
Amortisation of intangibles	362	303	–	–
Net changes in fair value of biological assets that remain unsold as at the end of the year	475	(512)	–	–
Product claims	88	340	–	–
Product reconditioning costs	–	396	–	–
Others	1,897	2,157	290	94
	6,291	8,199	776	445

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

20. STAFF COSTS

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Wages and salaries *(Note (a) below)*	28,052	28,951	727	654
Social security costs	1,254	1,303	–	–
Pension costs - provident fund	382	367	–	–
Pension costs - defined benefit plans *(Note 15)*	1,166	1,076	–	–
Incentive award benefit *(Note 26)*	434	1,800	–	–
Production profit share *(Note (b) below)*	143	87	–	–
	31,431	33,584	727	654
Number of persons employed on a full-time basis at end of the year	5,727	5,707	–	–

(a) Includes directors' fees and remuneration of the Group and Company of approximately $1,028,000 and $637,000 (2003: $937,000 and $654,000), respectively.

(b) In compliance with the Philippine Comprehensive Agrarian Reform Law ("CARL") under Executive Order No. 229 and Republic Act No. 6657, a substantial portion of the land previously leased in the Philippines by DMPI from the National Development Company ("NDC") was submitted for land distribution to the Department of Agrarian Reform ("DAR") and subsequently awarded to beneficiaries who formed a cooperative.

On 21 February 1989, DMPI and the beneficiaries' cooperative entered into a lease agreement on the said land at a certain fee for a period of 25 years starting 1 March 1989. DMPI used the land and paid rentals based on the lease agreement pending formal ratification of such agreement by DAR. On 11 January 1991, DAR ratified the amendment in the existing lease agreement, which reduced the lease period to 10 years and increased the annual fee effective from 12 December 1988. On 11 January 1997, DMPI and the beneficiaries' cooperative entered into a new lease agreement extending the lease period for another 25 years starting 11 January 1999.

The remaining land leased from NDC devoted to non-agricultural activities is not submitted for land distribution and continues to be subject to a long-term lease extending until 2032.

Privately owned lands are covered by existing crop producer and grower contracts which are continually being renewed. For certain private lands that exceed the allowable retention limits, the law requires compulsory acquisition and distribution to qualified beneficiaries. The continuation of these lease agreements is dependent on the terms and conditions to be agreed upon by the parties involved.

Pursuant to the requirements of the CARL, the Company granted its qualified employees, who are regular farmworkers and technical farmworkers, a share in the production profits realised from the operation of leased private agricultural land under deferred coverage of the CARL in accordance with the sharing scheme approved by DAR.

The Company has accrued for the estimated amount of production profit share of approximately $87,143 (2003: $87,000) that the Company believes is in full compliance with the implementing guidelines of the law.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004
(Amounts in United States dollars unless otherwise stated)

21. PROFIT FROM OPERATIONS

This is determined after charging (crediting) the following:

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Auditors' remuneration				
– payable to the auditors of the Company	116	124	105	111
– payable to other auditors	114	90	–	–
Non-audit fees				
– payable to the auditors of the Company	34	94	32	93
– payable to other auditors	128	–	–	–
Depreciation of fixed assets	5,375	5,196	–	–
Provision for doubtful trade debts	79	177	–	–
Research and development expenditure	175	158	–	–
Operating lease rentals	5,686	4,974	–	–
Gain on disposal of fixed assets	(92)	–	–	–
Write-back of provision	(69)	(16)	–	–

22. FINANCIAL INCOME (EXPENSES)

(a) Financial income

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Interest income from:				
– bank deposits	678	444	–	–
– affiliated companies	80	388	–	–
– others	3	–	–	–
	761	832	–	–

(b) Financial expenses

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Interest expenses on:				
– bills payable	(1,869)	(1,720)	–	–
– factoring	(84)	(109)	–	–
– others	(401)	(333)	–	–
Foreign exchange losses, net	(221)	(437)	–	–
	(2,575)	(2,599)	–	–

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

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23. TAXATION

(a) Group income tax has been calculated on the estimated assessable profit for the year at the rates prevailing in the respective foreign tax jurisdictions. Details of provision for Group foreign income tax are as follows:

	Group	
	2004	**2003**
	$'000	*$'000*
Current tax		
– current year	3,953	2,159
Deferred tax		
– current year	1,162	(465)
	5,115	1,694

The Company

There is no tax expense for the Company as the income of the Company is exempt from all income taxes in the British Virgin Islands.

The Group

The effective income tax rate of the Group for the year was 15.4% (2003: 5.3%). The reconciliation between tax and profit before taxation multiplied by the applicable tax rate is as follows:

	Group	
	2004	**2003**
	$'000	*$'000*
Profit before taxation	33,174	31,891
Taxation on profit at the weighted average of the applicable tax rates *(see (b) below)*	4,230	1,441
Tax effect of IAS that was taxable at 15.4% (2003: 5.3%)	79	(136)
Final tax on dividend	799	382
Translation adjustment	1	–
Others	6	7
	5,115	1,694

(b) The applicable weighted average tax rate is determined to be 15.4% (2003: 5.3%) and is calculated using the tax rates applicable in the jurisdictions where the companies in the Group operate. Although the Group's principal subsidiary is in the Philippines where the current tax rate is 32% (2003: 32%), other companies in the Group operate their businesses in jurisdictions where they are subjected to lower tax rate or considered exempt from tax.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

23. TAXATION *(Cont'd)*

(c) The tax impact of temporary differences between the basis of assets and liabilities for financial reporting and taxation purposes that gives rise to deferred tax assets or liabilities are analysed as follows:

Group

	At beginning of year $'000	Charged/ (credited) to profit and loss $'000	Exchange differences $'000	At end of year $'000
Deferred income tax liabilities				
Accelerated depreciation allowance	3,450	349	(48)	3,751
Deferred growing crops	5,369	508	(74)	5,803
Net changes in fair value of biological assets that remain unsold as at the end of the year	103	(73)	–	30
	8,922	784	(122)	9,584
Deferred income tax assets				
Provisions	1,350	(387)	35	998
Foreign exchange differences	122	9	(2)	129
	1,472	(378)	33	1,127
Net deferred tax liabilities	7,450	1,162	(155)	8,457

(d) The total amount of potential income tax consequences that would arise from the payment of dividends to the shareholders of the Company, resulting from a withholding tax of 15% on the total revenue reserves as at 31 December 2004 of a subsidiary based in the Philippines, is approximately $3,779,000 (2003: $3,942,000) based on prevailing exchange rate at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

24. DIVIDENDS

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Final dividend paid in respect of the previous financial year of 1.28 cents per share less tax at Nil % (2003: 1.56 cents per share less tax at Nil %)	13,748	16,717	13,748	16,717
Interim dividend paid of 0.54 cents per share less tax at Nil % (2003: 0.41 cents per share less tax at Nil %)	5,802	4,396	5,802	4,396
	19,550	21,113	19,550	21,113

Subsequent to the financial year, the directors declared a final dividend of 1.81 cents per share, less tax at Nil %, amounting to $19,448,000 in respect of the financial year ended 31 December 2004. These dividends have not been provided for in the financial year ended 31 December 2004.

25. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2004	**2003**
Net profit attributable to shareholders *($'000)*	28,112	30,197
Weighted average number of ordinary shares in issue *('000)*	1,073,800	1,071,838
Basic earnings per share *(in cents)*	2.62	2.82

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares which are the share options granted to employees.

For the diluted earnings per share in relation to the share options, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average share price of the Company's shares for the financial year) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. For the share options calculation, no adjustment is made to net profit attributable to shareholders.

	2004	**2003**
Net profit attributable to shareholders, representing amount used to determine diluted earnings per share *($'000)*	28,112	30,197
Weighted average number of ordinary shares in issue *('000)*	1,073,800	1,071,838
Adjustments for share options *('000)*	2,700	930
Weighted average number of ordinary shares for diluted earnings per share *('000)*	1,076,500	1,072,768
Diluted earnings per share *(in cents)*	2.61	2.81

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

The major shareholders of the Company are Del Monte Holdings Limited (formerly known as Juliet Holdings SA) and MCI Inc (both incorporated in the British Virgin Islands). Del Monte Holdings Limited is an indirect wholly-owned subsidiary of Cirio Del Monte NV in Amministrazione Straordinaria (incorporated in the Netherlands). MCI, Inc is a wholly-owned subsidiary of Macondray & Co, Inc (incorporated in the Philippines).

The Group and the Company had significant transactions with related parties in terms agreed between the parties as follows:

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Income				
Sales to Cirio Del Monte group of companies	21,071	20,218	–	–
Sales to Macondray group of companies	2,245	2,372	–	–
Financial income from Cirio Del Monte group of companies	80	388	–	–
Sub-total	23,396	22,978	–	–
Expenses				
Purchases from Cirio Del Monte group of companies	286	154	–	–
Purchases from Macondray group of companies	2,304	2,194	–	–
Management fees to a subsidiary, DMS	–	–	267	238
Purchases from Waterloo Land and Livestock Co Pty Ltd	4,749	7,128	–	–
Financial expenses to Cirio Del Monte group of companies	23	–	–	–
Sub-total	7,362	9,476	267	238
Aggregate value	30,758	32,454	267	238

The transactions with related companies are carried out under commercial terms and conditions. Pricing for the sales of products are market driven, less certain allowances, with prices for certain supplemental volumes subject to a price floor mechanism intended to cover product costs. For purchases, the Group policy is to solicit competitive quotations. Bids from any related party are evaluated on arm's length commercial terms and subject to bidding against third party suppliers. Purchases are normally awarded based on the lowest price.

The aggregate value of the sales, purchases and other transactions between the Group, Cirio Del Monte group of companies and Macondray group of companies for the financial year 2004 amounted to $30.8 million (2003:$32.5 million). The related party transactions between Cirio Del Monte group are for nine months to 30 September 2004 with the acquisition of Del Monte Foods Europe by Fresh Del Monte Produce Inc from the Cirio Del Monte group on 1 October 2004. All related party transactions during the financial year (save for those below S$100,000) were conducted pursuant to the shareholders' mandate obtained at the Company's last Annual General Meeting ("AGM") held on 28 April 2004. The Company will seek a fresh mandate for recurring related party transactions in the forthcoming AGM to be held on 26 April 2005.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

(Amounts in United States dollars unless otherwise stated)

26. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Cont'd)*

Post employment benefits to management personnel and employees

Certain management personnel of the Group are entitled to post employment benefits as defined under a subsidiary's defined benefit plan. The retirement plan covers substantially all of the subsidiary's officers and regular full-time employees. The benefits are based on a percentage of latest monthly salary and credited years of service (Note 15).

Shares issued and share options granted to directors

Pursuant to the Company's Initial Public Offering ("IPO") in 1999, Reserved Shares amounting to an aggregate of 19,829,000 ordinary shares of par value US$0.01 each were issued to the then directors at the IPO price US$0.63 each. As at 31 December 2004, the directors of the Company holding office at the end of the financial year held an aggregate of 2,818,000 (2003: 2,818,540) ordinary shares of par value US$0.01 each.

Pursuant to an Executive Stock Option Plan, the Company granted 5,941,668 IPO Options to the then directors of the Company in 1999, under the same terms and conditions as those offered to other group executives (Note 3). As at 31 December 2004, the outstanding number of IPO Options granted to the directors of the Company holding office at the end of the financial year was 2,403,837 (2003: 2,403,837).

In addition, on 2 March 2001, the Company granted 4,750,000 Market Share Options to the then directors of the Company, under the same terms and conditions as those offered to other group executives (Note 3). As at 31 December 2004, the outstanding number of Market Price Options granted to the directors of the Company holding office at the end of the financial year was 2,750,000 (2003: 2,750,000).

Incentive Award Programmes

The Group has incentive award programmes which cover its managerial and executive personnel. Each year, the Group accrues for estimated liability for bonuses based on the current year performance.

Supply contracts

The Group has a long-term supply contract for pineapple products with Del Monte International, Inc (formerly known as Cirio Del Monte International, Inc) formerly a member of the Cirio Del Monte group of companies, which had been in effect since 1990. Under this agreement, canned pineapples and juice, mixed tropical fruits and pineapple concentrate are supplied by the Group for distribution to European, African and Middle Eastern markets. Pricing in this contract is market-driven, less certain allowances, with prices for certain product volumes subject to a price floor mechanism intended to cover product costs (Note 28(c)).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

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27. CONTINGENCIES

(a) The Group is contingently liable with respect to lawsuits, tax assessments, and certain matters arising out of the normal course of business. Management believes that the resolution of these contingencies will not have a material effect on the results of operations or the financial condition of the Group.

(b) As at 31 December 2004, the Group had outstanding letters of credit amounting to approximately $0.4 million (2003: $3.0 million).

(c) A subsidiary, DMPI has issued a corporate guarantee in favour of a bank for granting bank facilities totaling approximately $6.0 million to another subsidiary. As at 31 December 2004, the subsidiary has not utilised the said bank facilities (2003: Nil).

28. COMMITMENTS

(a) Operating lease commitments

Based on existing agreements, the future minimum rental commitments as at 31 December 2004 for all non-cancellable long-term leases of real property, offices, equipment and grower agreements (including the estimated rental on lands previously owned by NDC and submitted for land distribution in compliance with the CARL) are as follows:

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Within one year	6,706	4,292	–	–
Between one to five years	22,637	18,235	–	–
More than five years	34,978	38,993	–	–
	64,321	61,520	–	–

Included in the above were commitments denominated in Philippine Peso of PHP3,499 million (2003: PHP3,368 million).

Most of the above leases contain renewable options. Some of the leases contain escalation clauses but do not provide for contingent rents. Lease terms do not contain any restrictions on Group activities concerning dividends, additional debts or further leasing.

(b) Future capital expenditure

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Capital expenditure not provided for in the financial statements				
– commitments in respect of contracts made	429	77	–	–
– uncommitted amounts approved by directors	8,815	6,338	–	–
	9,244	6,415	–	–

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

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28. COMMITMENTS *(Cont'd)*

(c) Supply contracts

The Group has entered into long-term international supply contracts with six distributors in the normal course of business. Five of these distributors have exclusive rights to the Del Monte trademarks in their respective market territory or product category. The supply contracts with these parties are generally terminable by giving the other prior written notice of between 18 to 36 months (from certain pre-agreed dates onwards) or based on agreed expiry terms of the contracts, subject to options to renew the agreements and other terms and conditions as stated in each agreement with the respective distributor. Pricing of the sales of products under the supply contracts are generally market-driven, less certain allowances, with prices for certain product volumes subject to a price floor mechanism intended to cover product costs.

(d) Forward foreign exchange contracts

During the year, a subsidiary entered into forward exchange contracts with certain banks to hedge against foreign currency exposures. As of 31 December 2004, there is no outstanding short-term forward exchange contract (2003: no outstanding short-term forward exchange contract).

29. FINANCIAL INSTRUMENTS

Aggregate banking facilities for trade financing (including letters of credit and bills purchase lines) and receivables factoring as at 31 December 2004 were $179.4 million, of which $26.8 million had been utilised. (2003: $143.0 million, of which $32.6 million had been utilised).

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and approves policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group obtains financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rate available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information on Group's interest rate exposure is also disclosed in the Notes on the Group's borrowings.

Liquidity risk

Short-term funding is obtained from short-term bank loan facilities.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2004

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29. FINANCIAL INSTRUMENTS *(Cont'd)*

Foreign exchange currency risk

In the normal course of business, the Group enters into transactions denominated in various foreign currencies. In addition, the Company and its subsidiaries maintain their respective books and accounts in their reporting currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. However, to minimise such foreign currency exposures, the Group uses foreign currency borrowings and natural hedge. The Group has a natural hedge against US dollar fluctuations as our US dollar-denominated revenues generally exceed our US dollar-denominated costs. It is not the Group's policy to take speculative positions in foreign currencies.

Credit risk

The Group sells its products through major distributors in various geographical regions. Credit risk exposure to the Group lies in the outstanding trade receivables recorded in the balance sheet as at year-end.

Apart from the above, the Company and the Group have no significant concentration of credit risk with any single counterparty or group counterparties.

Fair values

The carrying amounts of the following financial assets and financial liabilities approximate to their fair value: cash and bank balances, fixed deposits, trade debtors and creditors, other debtors and creditors and short-term borrowings.

Fair value of the amount due to an affiliated company (non-trade) included under non-current liabilities in the balance sheet is approximately $8,325,000 (2003: $8,010,000). The fair value has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

30. GROUP SEGMENTAL REPORTING

Primary reporting format – business segments

The Group sells its products on a worldwide basis. It products are broken down into: processed products, beverages and non-processed products. Each segment primarily consists of the following product variety: (1) Processed products: pineapple solids, tropical mixed fruits, tomato-based products, pasta, condiments and others; (2) Beverages: pineapple juice, juice drinks and pineapple concentrate; and (3) Non-processed products: cattle and fresh pineapples.

Segment assets consist primarily of operating assets such as fixed assets, other assets, inventories, trade and other debtors and other current assets. Unallocated assets comprise of short-term deposits and cash and bank balances. Segment liabilities comprise of operating liabilities. Unallocated liabilities consist of short-term borrowings, provision for taxation and deferred taxation. Capital expenditure comprises of additions to fixed assets and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*
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30. GROUP SEGMENTAL REPORTING *(Cont'd)*

Year ended 31 December 2004

	Processed Products	Beverages	Non-processed Products	Consolidated
	$'000	*$'000*	*$'000*	*$'000*
Turnover	134,458	54,625	10,496	199,579
Profit from operations, representing segment result	22,649	12,156	183	34,988
Net foreign exchange loss	(137)	(83)	(1)	(221)
Profit before interest and taxation	22,512	12,073	182	34,767
Net interest expense	(990)	(595)	(8)	(1,593)
Profit before taxation	21,522	11,478	174	33,174
Taxation				(5,115)
Minority interest				53
Net profit attributable to shareholders				28,112
Segment assets	100,000	67,548	7,230	174,778
Unallocated assets				57,517
Consolidated total assets				232,295
Segment liabilities	26,066	8,638	567	35,271
Unallocated liabilities				39,443
Consolidated total liabilities				74,714
Capital expenditure	2,351	2,471	96	4,918
Depreciation	3,086	2,125	164	5,375
Amortisation	211	131	20	362
Non-cash expenses (net) other than depreciation and amortisation	2,606	1,191	33	3,830

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*
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30. GROUP SEGMENTAL REPORTING *(Cont'd)*

Year ended 31 December 2003

	Processed Products	Beverages	Non-processed Products	Consolidated
	$'000	*$'000*	*$'000*	*$'000*
Turnover	137,204	47,425	14,606	199,235
Profit from operations, representing segment result	23,516	9,300	842	33,658
Net foreign exchange loss	(308)	(122)	(7)	(437)
Profit before interest and taxation	23,208	9,178	835	33,221
Net interest expense	(937)	(372)	(21)	(1,330)
Profit before taxation	22,271	8,806	814	31,891
Taxation				(1,694)
Net profit attributable to shareholders				30,197
Segment assets	116,540	47,057	7,537	171,134
Unallocated assets				50,510
Consolidated total assets				221,644
Segment liabilities	24,673	6,595	1,635	32,903
Unallocated liabilities				39,458
Consolidated total liabilities				72,361
Capital expenditure	4,138	3,289	132	7,559
Depreciation	3,186	1,846	164	5,196
Amortisation	206	70	27	303
Non-cash expenses (net) other than depreciation and amortisation	1,053	830	98	1,981

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

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(Amounts in United States dollars unless otherwise stated)

30. GROUP SEGMENTAL REPORTING *(Cont'd)*

Secondary reporting format – geographical segments

The Group's three business segments are managed on a worldwide basis through two main geographical areas, namely, Asia and Europe/North America.

	Turnover		Total assets		Capital expenditure	
	2004	2003	2004	2003	2004	2003
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Asia	131,412	127,239	232,295	221,644	4,918	7,559
Europe/North America	68,167	71,996	–	–	–	–
Total	199,579	199,235	232,295	221,644	4,918	7,559

Segmentation of revenue is based on the geographical area in which the customers are located. Total assets and capital expenditure are shown by the geographical area in which the assets are located.

31. DIRECTORS' REMUNERATION

Number of directors of the Company in the various remuneration bands are as follows:

	Group					
	Executive Directors		Non-executive Directors		Total	
	2004	2003	2004	2003	2004	2003
S$500,000 and above	–	–	–	–	–	–
S$250,000 to S$499,999	1	–	–	–	1	–
S$0 to S$249,999	2	3	8	8	10	11
	3	3	8	8	11	11

32. COMPARATIVE FIGURES

Turnover and gross profit for 2003 were restated due to a change in definition of mass displays and reclassification of certain depreciation items between cost of sales and operating expenses to conform to current reporting standards. Mass displays were previously treated as indirect promotions and classified under advertising and promotions. These are currently treated as direct promotions and netted out of turnover. Turnover and gross profit before reclassification for 2003 were $200,445,000 and $58,497,000, respectively.

C AUDITED FINANCIAL INFORMATION

Set out below are the audited consolidated and company balance sheets, consolidated and company profit and loss accounts, consolidated and company statements of changes in equity, consolidated statement of cash flows and notes to the financial statements for the years ended 31 December 2002 and 31 December 2003 reproduced from the audited financial statements published in the Del Monte's annual report for the year ended 31 December 2003. The notes to such financial statements (as set out below) state that the financial statements have been prepared in accordance with IFRS and, save as otherwise disclosed in the notes, are consistent with those accounting policies used in the previous relevant financial year. As at the Latest Practicable Date, the Company has insufficient information to assess the accuracy of the financial statements and compliance thereof with IFRS accordingly, the Company takes no responsibility for their contents, other than in respect of their being correctly and fairly reproduced and presented.

BALANCE SHEETS
as at 31 December 2003
(Amounts in United States dollars)

	Note	Group 2003 $'000	Group 2002 $'000 (Restated)*	Company 2003 $'000	Company 2002 $'000
EQUITY					
Share capital	3	10,721	10,716	10,721	10,716
Share premium	4	65,936	65,815	66,075	65,954
Translation reserves	2	(67,665)	(64,360)	–	–
Revenue reserves		140,291	131,207	676	524
		149,283	143,378	77,472	77,194
ASSETS LESS LIABILITIES					
Fixed assets	5	48,719	48,441	–	–
Subsidiaries	6	–	–	10,149	10,149
Intangible assets	7	9,316	9,619	–	–
Other assets	8	6,033	5,351	–	–
Current assets					
Inventories	9	41,529	41,197	–	–
Biological assets	10	34,234	36,694	–	–
Trade debtors	11	20,672	19,556	–	–
Other debtors, deposits and prepayments	12	6,806	5,636	–	57
Due from subsidiaries (non-trade)	13	–	–	80,139	80,277
Due from affiliated companies (trade)		3,825	5,500	–	–
Due from shareholder companies (non-trade)	13	–	456	–	456
Short-term deposits		46,030	24,185	–	–
Cash and bank balances		4,480	3,652	6	4
		157,576	136,876	80,145	80,794

* *2002 figures were restated as a result of the adoption of International Accounting Standard (IAS) 41, Agriculture, as mentioned on page 172.*

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS *(Cont'd)*
as at 31 December 2003
(Amounts in United States dollars)

		Group		Company	
		2003	**2002**	**2003**	**2002**
	Note	*$'000*	*$'000*	*$'000*	*$'000*
			(Restated)		
Current liabilities					
Trade creditors		8,827	8,967	–	–
Other creditors and accruals	*14*	16,579	16,040	467	593
Due to subsidiaries (non-trade)	*13*	–	–	12,355	13,156
Short-term borrowings (unsecured)	*16*	31,276	15,232	–	–
Provision for taxation		732	1,139	–	–
		57,414	41,378	12,822	13,749
Net current assets		100,162	95,498	67,323	67,045
Non-current liabilities					
Due to an affiliated company (non-trade)	*17*	(7,497)	(7,279)	–	–
Deferred tax liabilities	23	(7,450)	(8,252)	–	–
		149,283	143,378	77,472	77,194

The accompanying notes are an integral part of the financial statements.

PROFIT AND LOSS ACCOUNTS
for the year ended 31 December 2003
(Amounts in United States dollars)

		Group		Company	
		2003	**2002**	**2003**	**2002**
	Note	*$'000*	*$'000*	*$'000*	*$'000*
			(Restated)		
Turnover	*18*	200,445	196,370	23,256	21,000
Cost of sales		(141,948)	(138,128)	–	–
Gross profit		58,497	58,242	23,256	21,000
Distribution and selling expenses		(13,568)	(11,083)	–	–
General and administration expenses		(3,373)	(3,266)	(1,546)	(1,413)
Other operating expenses	*19*	(7,898)	(4,748)	(445)	(374)
Profit from operations	*21*	33,658	39,145	21,265	19,213
Financial income	*22*	832	778	–	–
Financial expenses	*22*	(2,599)	(1,637)	–	–
Profit before taxation		31,891	38,286	21,265	19,213
Taxation	*23*	(1,694)	(3,118)	–	–
Net profit attributable to shareholders		30,197	35,168	21,265	19,213
Earnings per share (cents)					
– Basic	*25*	2.82	3.28		
– Diluted	*25*	2.81	3.28		

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2003
(Amounts in United States dollars)

The Group

	Share capital $'000	Share premium $'000	Translation reserves $'000	Revenue reserves $'000	Total $'000
As at 1 January 2002, as previously stated	10,716	65,815	(61,953)	114,596	129,174
Adoption of new accounting policy (IAS 41)	–	–	–	625	625
As at 1 January 2002, as restated	10,716	65,815	(61,953)	115,221	129,799
Currency translation differences	–	–	(2,407)	–	(2,407)
Net gains and losses not recognised in profit and loss accounts	–	–	(2,407)	–	(2,407)
Net profit attributable to shareholders	–	–	–	35,168	35,168
Dividends *(Note 24)*	–	–	–	(19,182)	(19,182)
As at 31 December 2002, as restated	10,716	65,815	(64,360)	131,207	143,378
As at 1 January 2003, as previously stated	10,716	65,815	(64,360)	130,575	142,746
Adoption of new accounting policy (IAS 41)	–	–	–	632	632
As at 1 January 2003, as restated	10,716	65,815	(64,360)	131,207	143,378
Currency translation differences	–	–	(3,305)	–	(3,305)
Shares issued under share option plan	5	121	–	–	126
Net gains and losses not recognised in profit and loss accounts	5	121	(3,305)	–	(3,179)
Net profit attributable to shareholders	–	–	–	30,197	30,197
Dividends *(Note 24)*	–	–	–	(21,113)	(21,113)
As at 31 December 2003	10,721	65,936	(67,665)	140,291	149,283

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY *(Cont'd)*
for the year ended 31 December 2003
(Amounts in United States dollars)

The Company

	Share capital *$'000*	Share premium *$'000*	Revenue reserves *$'000*	Total *$'000*
As at 1 January 2002	10,716	65,954	493	77,163
Net profit attributable to shareholders	–	–	19,213	19,213
Dividends *(Note 24)*	–	–	(19,182)	(19,182)
As at 31 December 2002	10,716	65,954	524	77,194
As at 1 January 2003	10,716	65,954	524	77,194
Shares issued under share option plan	5	121	–	126
Net gains and losses not recognised in profit and loss accounts	5	121	–	126
Net profit attributable to shareholders	–	–	21,265	21,265
Dividends *(Note 24)*	–	–	(21,113)	(21,113)
As at 31 December 2003	10,721	66,075	676	77,472

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2003
(Amounts in United States dollars)

	2003	2002
	$'000	*$'000*
		(Restated)
Cash flows from operating activities		
Net profit attributable to shareholders	30,197	35,168
Adjustments for:		
Depreciation and amortisation	5,499	4,708
Provision for inventory obsolescence	2,132	1,130
Provision for asset impairment	137	–
Provision for doubtful debts (Write-back of)	177	63
provision for deferred income tax	(465)	535
Loss on disposal of fixed assets	–	48
Operating profit before working capital changes	37,677	41,652
Decrease (increase) in:		
Other assets	(682)	(1,993)
Inventories	(2,443)	(2,785)
Biological assets	2,460	(1,210)
Trade debtors	(1,251)	(4,366)
Other debtors, deposits and prepayments	(1,170)	1,912
Due from shareholder companies	456	–
Increase (decrease) in:		
Trade creditors, other creditors and accruals	399	(8,100)
Due to affiliated companies (trade and non-trade)	1,893	945
Provision for taxation	(407)	413
Net cash generated from operating activities	36,932	26,468
Cash flows from investing activities		
Proceeds from disposal of fixed assets	46	91
Purchase of fixed assets	(7,559)	(10,315)
Net cash used in investing activities	(7,513)	(10,224)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*
for the year ended 31 December 2003
(Amounts in United States dollars)

	2003	2002
	$'000	*$'000*
		(Restated)
Cash flows from financing activities		
Short-term borrowings	16,044	8,160
Dividends paid	(21,113)	(19,182)
Proceeds from exercise of stock option	126	–
Net cash used in financing activities	(4,943)	(11,022)
Effect of exchange rate changes on cash and cash equivalents	(1,803)	(1,550)
Net increase in cash and cash equivalents	22,673	3,672
Cash and cash equivalents, beginning of year	27,837	24,165
Cash and cash equivalents, end of year	50,510	27,837

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2003	2002
	$'000	*$'000*
		(Restated)
(a) Cash paid (received) during the year, included in operating activities		
Interest expenses	1,697	1,231
Interest income	(751)	(696)
Income taxes	2,632	2,131
(b) Analysis of the balances of cash and cash equivalents		
Cash and bank balances	4,480	3,652
Short-term deposits	46,030	24,185
	50,510	27,837

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

These notes are an integral part of and should be read in conjunction with the accompanying financial statements.

1. DOMICILE AND ACTIVITIES

The financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 December 2003 were authorised for issue in accordance with a resolution of the directors dated 15 March 2004.

The Company was incorporated in the British Virgin Islands on 27 May 1999 under the International Business Companies Ordinance, Chapter 291 of the laws of the British Virgin Islands, as an international business company. On 2 August 1999, the Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office of the Company is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands.

The principal activity of the Company is that of investment holding. Its subsidiaries are principally engaged in growing, processing, and selling canned and fresh pineapples, pineapple concentrate, tropical mixed fruit, tomato-based products, and certain other food products mainly under the brand names of "Del Monte" and "Today's".

The details of the Company's subsidiaries and their principal activities are set out in Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements, which are expressed in United States dollars ("US dollars"), have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and under the historical cost convention except for the measurement of biological assets (livestock) and agricultural produce (harvested pineapples) at fair value less point-of-sale costs.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year, except for the adoption of International Accounting Standard (IAS) 41, Agriculture, in the current year as mentioned on page 172.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. All significant intercompany balances and any unrealised profit and loss on intercompany transactions have been eliminated on consolidation.

The formation of the Group in 1999 has been accounted for as a reorganisation of companies under common control using merger accounting. The consolidated financial statements therefore reflect the combined financial statements of all companies that form the Group as if they were a consolidated group for all periods presented. The assets and liabilities of Del Monte Pacific Resources Limited and its subsidiaries contributed to the Company have been reflected at predecessor cost in these consolidated financial statements.

In translating the financial statements of foreign subsidiaries in the preparation of the consolidated financial statements, all the assets and liabilities of those subsidiaries with reporting currencies other than US dollars are translated into US dollars at the rates of exchange in effect at the balance sheet date, and all their income and expense items are translated into US dollars at the average exchange rates during the year. The resulting cumulative translation differences are dealt with as movements in reserves.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

Revenue from sale of goods is recognised when goods are delivered, and title has passed, to customers.

Dividend income is recognised when the shareholder's right to receive payment is established. Interest income is accrued on a time proportion basis that reflects the effective yield on the asset.

Fixed assets

Fixed assets are stated at cost net of depreciation and any impairment loss. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of the fixed asset.

Depreciation is calculated on a straight-line basis over its expected useful life as follows:

	Years
Freehold buildings	45
Buildings, land improvements and leasehold improvements	3 – 45
Machinery and equipment	3 – 15
Dairy and breeding herd	3.5 – 6

Land improvements, comprising expenditures on infrastructure improvements including building of roads and irrigation system, etc., are depreciated over their expected useful lives or, where shorter, the lease term of the related land.

Leasehold improvements are depreciated over their expected useful lives or, where shorter, the terms of the lease.

Dairy and breeding herd relates to livestock (cattle) being reared for milking and breeding purposes.

The useful life and depreciation method are revised periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

Fully depreciated assets are retained in the financial statements until they are no longer in use, and no further charge for depreciation is made in respect of these assets.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposals is included in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Fixed assets *(Cont'd)*

Interest costs on borrowings to finance the construction of plant and properties are capitalised, during the period of time that is required to complete the construction project, as part of the cost of the fixed assets.

Construction-in-progress

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs (plus borrowing costs which include interest charges attributable to borrowings used to finance these projects during the construction period and exchange difference arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs).

No provision for depreciation is charged on construction-in-progress until such time as the relevant assets are completed and put into operational use.

Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or controls the composition of the board of directors.

Affiliated companies

An affiliated company is a company, not being a subsidiary or an associated company, in which one or more of the shareholders and/or directors of the Company have a significant equity interest or can exercise significant influence over its operating and financial policies and decisions.

Intangible assets

Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets relate to trademarks which are stated at acquisition cost or net present value of future cash payments of the acquisition cost at the date of the acquisition and are amortised on a straight-line basis over the expected future economic life of 40 years. These trademarks give the Group the exclusive perpetual right to use the trademarks in the specified territories. Management considers that there are market opportunities for the Group in the geographical regions covered by these trademarks and it is expected that a significant amount of revenue will be generated from the use of these trademarks for at least 40 years.

Research and development costs

Research costs are charged to the profit and loss account as incurred. Development costs of a project are recognised as an asset when its future recoverability can reasonably be regarded as assured. Capitalised development costs are amortised over the period of expected future sales from the related project.

Other development costs are charged to profit and loss account when incurred.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*
for the year ended 31 December 2003
(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of assets

(a) Financial instruments

Financial instruments are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Company or Group will not collect all amounts due according to the contractual terms of receivables or held-to-maturity investments, an impairment or bad debt loss is recognised in the profit and loss account. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded in the profit and loss account. However, the increased carrying amount is only recognised to the extent it does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Other assets

Fixed assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account for items of fixed assets and intangible assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for an asset no longer exists or has decreased and is recorded in the profit and loss account.

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of finished goods and livestock is based on the weighted average method, while the cost of production materials and storeroom items is based on the weighted moving average method. Cost of processed inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, where appropriate, and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Operating leases

Leases of assets, where substantially all the rewards and risks of ownership are effectively retained by the leasing company, are accounted for as operating leases. Rental payments under operating leases are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Income tax

Income tax expense is determined on the basis of tax effect accounting, using the liability method, and is applied to all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities and the amounts used for tax purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax liabilities are not provided on undistributed earnings of foreign subsidiaries to the extent the earnings are intended to remain indefinitely invested in those entities. A deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortisation is not deductible for tax purposes.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred acquisition costs

Deferred acquisition costs relate to costs which are directly attributed to a particular acquisition of investment being considered by the Group. Such deferred acquisition costs would be capitalised as part of the cost of investment upon the consummation of the related acquisition. Other general administrative costs, including the cost of maintaining an acquisition department, are recognised as expense as incurred.

Deferred acquisition costs are written off to the profit and loss account when, in the opinion of the directors, the consummation of such acquisition is deemed remote.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments

As of the end of the financial year, the Company's and Group's financial instruments mainly consisted of cash and cash equivalents, receivables, payables, short-term borrowings and non-current payables. The carrying amounts of the Company's and Group's cash and cash equivalents approximate their fair values because of the short maturity of those instruments.

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

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade payables are normally settled on 15 to 30-day terms.

The carrying amounts of the short-term borrowings approximate their fair values based on borrowing rates currently available for short-term borrowings with similar terms and maturity. Where the effect of time value of money is material, the non-current liabilities are the present values of the expenditures expected to be required to settle the obligation.

Receivables are carried at anticipated realisable value after provision for doubtful accounts. An estimated provision for doubtful debt is made when collection of the amount is no longer probable. Bad debts are written off to the profit and loss account as incurred. Trade receivables generally have 7 to 75-day terms.

Trade receivables which are factored out to financial institutions without recourse to the Group are treated as being fully settled. The corresponding payments from the financial institutions are recorded as cash receipts from customers and no liability is recognised.

Trade receivables which are factored out to financial institutions with recourse to the Group are not treated as being settled. The corresponding payments from the financial institutions are recorded as cash receipts from these institutions and corresponding bank borrowings are recognised.

Reserves

Capital reserve, comprising share premium, is created from the difference arising from the issue of ordinary shares of the Company at an issue price higher than the par value of the shares.

Translation reserve is intended for reflection of translation differences arising on consolidation of financial statements of foreign entities.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies

The Company and its subsidiaries maintain their books and records in their respective measurement currencies.

Transactions in foreign currencies other than the measurement currencies during the year are translated at the exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies other than the measurement currencies are translated at rates of exchange in effect at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

The Group uses forward exchange contracts to manage its foreign exchange exposure on forecasted imports, forecasted exports, and existing foreign currency denominated receivables and payables. On inception, the Group's Treasury identifies certain forward exchange contracts as either (a) a hedge of the fair value of an asset or a liability (fair value hedge), or (b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge).

The Group's criteria for hedge accounting treatment include: (1) the hedging transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, (2) the effectiveness of the hedge can be reliably measured, (3) there is adequate documentation of the hedging relationships at the inception of the hedge, and (4) for cash flow hedges, the forecasted transaction that is the subject of the hedges must be highly probable.

(a) Fair value hedge

Derivatives classified as fair value hedges are carried at fair value with the corresponding change in fair value recognised in the profit and loss account. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged risk and the gain or loss associated with that measurement is also recognised in the profit and loss account.

When the hedge ceases to be highly effective, hedge accounting is discontinued.

(b) Cash flow hedge

Changes in the fair value of a hedging instrument, that qualifies as a highly effective cash flow hedge, are recognised directly in the translation reserve account in shareholders' equity. The ineffective portion is immediately recognised in the profit or loss account.

If the hedged cash flow results in the recognition of an asset or a liability, all gains and losses previously recognised directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognised in equity are transferred from the translation reserve account to the profit or loss account in the same period or periods during which the hedged firm commitment or forecasted transaction affects the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies *(Cont'd)*

(b) Cash flow hedge (Cont'd)

When the committed or forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is transferred to the profit and loss account.

Forward exchange contracts that are not designated as either fair value or cash flow hedges are classified as held-for-trading and carried at fair value, with changes in fair value included in the profit and loss account.

Deferred growing crops

Deferred growing crops are stated at cost. Expenditures on growing crops include land preparation expenses and other direct expenses incurred during the cultivation period of the primary and ratoon crops. These expenditures on growing crops are deferred and taken into the inventory account based on the estimated total yield during the estimated growth cycle of three years.

Retirement plan

A subsidiary, Del Monte Philippines, Inc, operates a defined benefit plan, the assets of which are generally held in separate trustee administered funds. The pension plans are generally funded by the subsidiary, taking into account the recommendations of independent qualified actuaries. The subsidiary also has a contributory provident plan covering participating employees.

The subsidiary uses the attained age actuarial cost method to account for the retirement plan obligations. The use of the attained age actuarial cost method is allowed under generally accepted accounting principles of the Philippines, under which the subsidiary reports its statutory financial statements. For purposes of Group financial statements, adjustments have been made to the retirement plan obligations, where necessary, using the projected credit method to comply with IAS 19 (revised 2000), Employee Benefits. Under the projected unit credit method, the cost of providing this pension is charged to the profit and loss accounts so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every two years. The pension obligation is measured as the present value of the estimated future cash flows using an interest rate of 11% per annum. Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets. The actuarial gains and losses are spread forward and taken to the profit and loss account over the expected average remaining service lives of employees.

The subsidiary's contributions to the contributory provident plan are charged to the profit and loss account in the year to which they relate.

Employee stock option plan

The Company has an Executive Stock Option Plan for the granting of non-transferable options to purchase the Company's shares. Compensation cost is not recognised in the Company's and the Group's financial statements for the fair value or the intrinsic value of the share options issued.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Cash and cash equivalents

Cash represents cash on hand and deposits with banks or other financial institutions which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Adoption of new accounting policy: IAS 41, Agriculture

IAS 41 which took effect for financial years beginning on or after 1 January 2003, establishes accounting treatment, financial statement preparation, and disclosures related to agricultural activity. Agricultural activity is the management by an enterprise of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets.

The standard requires biological assets and agricultural produce, at the point of harvest, to be measured on initial recognition and, at each balance sheet date, at its fair value less estimated point-of-sales costs. Gain and loss arising from these measurements should be included in the net profit or loss for the period in which it arises. However, where the fair value of the biological assets cannot be measured reliably, the biological assets should be stated at cost less accumulated depreciation and any accumulated impairment losses.

The adoption of IAS 41 has resulted in the Group stating its biological assets (livestock) and its agriculture produce (harvested pineapples) at its fair value less estimated point-of-sale costs, except for some of its biological assets (growing crops) where the fair value cannot be measured reliably. For such biological assets, they are measured at costs less any accumulated depreciation and any accumulated impairment losses.

Previously, all of the Group's biological assets (including livestock) and agricultural produce (harvested pineapples) were stated in the balance sheet of the Group at the lower of cost and net realisable value. The change has been applied retrospectively by adjusting the opening balance of revenue reserves as at 1 January 2002. The comparative figures have been restated accordingly.

The adoption of this new accounting policy has resulted in the Group increasing the carrying value of its inventories and biological assets, net of tax, by $632,000, as at 1 January 2003 with a corresponding increase in the revenue reserves as at 1 January 2003.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Adoption of new accounting policy: IAS 41, Agriculture *(Cont'd)*

Changes in fair values less estimated point-of-sale costs of livestock and harvested pineapples included in the profit and loss account are as follows:

	2003	**2002**
	$'000	*$'000*
Changes in fair value		
Included in costs of sales, relating to livestock and harvested pineapples sold during the year	8,010	9,788
Included in operating expenses, relating to livestock and harvested pineapples remaining unsold as at the end of the year	512	7
Total change in fair value	8,522	9,795

Due to the change in fair values of livestock and agricultural produce that remain unsold at each reporting period, the adoption of IAS 41 had the effect of increasing the Group's profit before interest and tax (PBIT) and net profit for 2003 by approximately $512,000 and $485,000, respectively.

	2003	**2002**
	$'000	*$'000*
IAS 41 Impact on profitability		
PBIT	512	7
Net profit	485	7

Deferred tax liability arising from the temporary differences between the tax base of biological assets (livestock) and agricultural produce (harvested pineapples) and their carrying amount is accounted for in accordance with the accounting policy stated above.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

3. SHARE CAPITAL

	2003	2002
	$'000	*$'000*
Authorised		
– 2,000,000,000 (2002: 2,000,000,000) ordinary shares of $0.01 each	20,000	20,000
Issued and fully paid		
Beginning of year		
– 1,071,629,194 (2002: 1,071,629,194) ordinary shares of $0.01 each	10,716	10,716
Issued during the year		
– 450,000 (2002: Nil) ordinary shares of $0.01 each	5	–
End of year		
– 1,072,079,194 (2002: 1,071,629,194) ordinary shares of $0.01 each	10,721	10,716

Outstanding options

As at 31 December 2003, the outstanding options to subscribe for the Company's ordinary shares of $0.01 each are as follows:

Date of Grant	Description	As at 1 January 2003 or date of grant, if later	Options lapsed	Options exercised	As at 31 December 2003	No. of holders	Exercise price[1]	Exercise period
30.7.1999	IPO Options[2]	6,446,180	830,915	–	5,615,265	30	US$0.504	30.7.2000 – 29.7.2009
2.3.2001	Market Price Options[3]	12,400,000	890,000	450,000	11,060,000	38	S$0.490	2.3.2003 – 1.3.2011
29.5.2002	Market Price Options[4]	3,200,000	330,000	–	2,870,000	91	S$0.470	29.5.2004 – 28.5.2012

(1) On 20 December 1999, the SGX-ST approved the conversion of the quotation of the Company's shares to Singapore dollars (S$) from US dollars (US$).

(2) Pursuant to the ESOP Scheme, the Company granted 11,428,571 Initial Public Offering Options ("IPO Options") in July 1999 to certain controlling shareholders and their associates, directors, officers and senior managers of the Group. Each IPO Option entitles its holder to subscribe to one share at the IPO Price of US$0.63, less a 20% discount, or US$0.504 (as at 15 March 2004, this is equivalent to about S$0.863).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

3. SHARE CAPITAL *(Cont'd)*

The IPO Options are exercisable based on the following terms:

Option exercise period	Terms
From 30 July 2000 to 29 July 2001	(i) Up to 30 percent of IPO Options granted
From 30 July 2001 to 29 July 2002	(ii) Up to 60 percent of IPO Options granted including (i) above
From 30 July 2002 to 29 July 2009	(iii) 100 percent of IPO Options granted

Except for the following IPO Options granted to controlling shareholders and their associates since the start of the ESOP Scheme, no other share options have been granted to controlling shareholders and their associates as at the date of this report:

Controlling shareholders and their associates	Granted during the year	Aggregate Options granted as at 31 December 2003	Aggregate Options exercised	Aggregate Options lapsed	Aggregate Options outstanding as at 31 December 2003
Martin P Lorenzo	–	1,269,841	–	–	1,269,841
Regina Lorenzo H-Davila	–	190,477	–	–	190,477
Marco P Lorenzo	–	175,502	–	–	175,502
Tomas P Lorenzo	–	–	–	–	–

(3) In 2001, pursuant to the ESOP Scheme, the Company granted 14,050,000 options, which are exercisable based on a subscription price equal to the average of the last dealt prices for the Company's share on the SGX-ST for the three consecutive trading days immediately preceding the offering date of the option, without any discount ("Market Price Options"), to directors, officers and senior managers of the Group, none of whom are controlling shareholders, and the latter's associates. Each of these Market Price Options entitles its holder to subscribe for one share at S$0.49.

The Market Price Options are exercisable based on the following terms:

Option exercise period	Terms
From 2 March 2003 to 1 March 2004	(i) Up to 60 percent of Market Price Options granted
From 2 March 2004 to 1 March 2011	(ii) 100 percent of Market Price Options granted

(4) In 2002, the Company granted a second batch of Market Price Options to new senior managers and managerial employees not covered by the first grant of Market Price Options. A total of 3,250,000 Market Price Options were granted based on a subscription price equal to the average of the last dealt prices for the Company's share on the SGX-ST for the three consecutive trading days immediately preceding the offering date of the option, without any discount. Each of these Market Price Options entitles its holder to subscribe for one share at S$0.47.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

3. SHARE CAPITAL *(Cont'd)*

The Market Price Options are exercisable based on the following terms:

Option exercise period	**Terms**
From 29 May 2004 to 28 May 2005	(i) Up to 60 percent of Market Price Options granted
From 29 May 2005 to 28 May 2012	(ii) 100 percent of Market Price Options granted

No holder of the options under the ESOP Scheme has received 5% or more of the total options available. Except for options granted to certain directors of the Group who are concurrently directors and/or employees of a controlling shareholder company, no director or employee of a controlling shareholder company has been granted any options. The ESOP Scheme does not extend participation to directors and employees of a controlling shareholder company and its subsidiaries. All outstanding options granted to directors, executives and employees of the Group have a term of 10 years.

Apart from the above, no other options to take up unissued shares were granted during the financial year and as at the date of this report.

The Group and the Company have not recognised any expenses in the financial statements relating to the equity compensation plans in accordance with the Group's accounting policy.

4. SHARE PREMIUM

	Group		**Company**	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
At beginning of year	65,815	65,815	65,954	65,954
Shares issued under share option plan 450,000 ordinary shares of $0.01 each (2002: Nil)	121	–	121	–
At end of year	65,936	65,815	66,075	65,954

Under the British Virgin Islands law in whose jurisdiction the Company operates, the Company's share premium, translation reserves and revenue reserves form part of the Company's surplus account that may be available for dividend distribution.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

5. FIXED ASSETS

Group

	Freehold land and buildings	Buildings, land improvements and leasehold improvements	Machinery and equipment	Dairy and breeding herd	Construction-in-progress	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost						
As at 1.1.2003	6,169	4,370	66,155	436	3,835	80,965
Additions	897	461	5,031	–	1,170	7,559
Disposals	(36)	(36)	(173)	(39)	–	(284)
Reclassifications	29	–	3,781	–	(3,810)	–
Currency realignment	(258)	(175)	(2,944)	(19)	16	(3,380)
As at 31.12.2003	6,801	4,620	71,850	378	1,211	84,860
Accumulated depreciation						
As at 1.1.2003	2,404	1,129	28,768	223	–	32,524
Charge for the year	96	216	4,844	40	–	5,196
Impairment loss	28	–	109	–	–	137
Disposals	(17)	(36)	(151)	(34)	–	(238)
Currency realignment	(106)	(41)	(1,390)	59	–	(1,478)
As at 31.12.2003	2,405	1,268	32,180	288	–	36,141
Charge for 2002	48	243	4,059	55	–	4,405
Net book value						
As at 31.12.2003	4,396	3,352	39,670	90	1,211	48,719
As at 31.12.2002	3,765	3,241	37,387	213	3,835	48,441

Interest cost capitalised for the year amounted to approximately $72,000 (2002: $186,000).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

6. SUBSIDIARIES

	2003 *$'000*	2002 *$'000*
Unquoted equity shares, at cost	10,149	10,149

The Company and the Group had the following subsidiaries as at 31 December 2003:

Name of subsidiary	Principal activities	Country of incorporation and place of business	% of equity held by the Group		Cost of investment by the Company	
			2003	2002	2003	2002
			%	%	*$'000*	*$'000*
Held by the Company						
Del Monte Pacific Resources Limited ("DMPRL")[(i)]	Investment holding	British Virgin Islands	100	100	10,139	10,139
GTL Limited ("GTL")[(i)]	Trading food products sold mainly under the brand name "Del Monte"	Federal Territory of Labuan, Malaysia	100	100	10	10
DMPL Management Services Pte Ltd ("DMS")[(ii)]	Providing administrative support and liaison services to the Group	Singapore	100	100	(iii)	(iii)
					10,149	10,149

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*
for the year ended 31 December 2003
(Amounts in United States dollars unless otherwise stated)

6. SUBSIDIARIES *(Cont'd)*

Name of subsidiary	Principal activities	Country of incorporation and place of business	% of equity held by the Group 2003 %	2002 %
Held by DMPRL				
Central American Resources Inc ("CARI")(i)	Investment holding and trading food products mainly under the brand name "Del Monte"	Panama	100	100
Held by CARI				
Del Monte Philippines, Inc ("DMPI")(iv)	Growing, processing and distribution of food products mainly under the brand names "Del Monte" and "Today's"	The Philippines	100	100
Dewey Limited ("Dewey")(i)	Owner of the "Del Monte" and "Today's" trademarks in the Philippines	Bermuda	100	100
Pacific Brands Philippines, Inc ("PBPI")(iv)	Dormant	State of Delaware, USA	100	100
Hordaland Company Limited ("Hordaland")(i)	Dormant	Hong Kong	100	100

(i) Not required to be audited by law in its country of incorporation
(ii) Audited by Ernst & Young, Singapore
(iii) Cost of investment of $1 (2002: $1)
(iv) Audited by Sycip Gorres Velayo & Co, associate firm of Ernst & Young, Singapore

7. INTANGIBLE ASSETS

	Group 2003 *$'000*	2002 *$'000*
Cost	12,115	12,115
Less accumulated amortisation	(2,799)	(2,496)
	9,316	9,619

Movements in accumulated amortisation during the financial year were as follows:

At beginning of year	2,496	2,193
Amortisation during the year	303	303
At end of year	2,799	2,496

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

7. INTANGIBLE ASSETS *(Cont'd)*

In November 1996, a subsidiary, DMPRL, entered into a sub-license agreement with an affiliated company to acquire the exclusive right to use the "Del Monte" trademark in the Indian Sub-continent territories in connection with the production, manufacture, sale and distribution of food products and the right to grant sub-licenses to others ("Indian Sub-continent trademark").

Under the terms of the agreement, a total consideration of $10 million would be payable by DMPRL to the affiliated company for the right to use the trademark. The first sum of $1 million was paid during 1996 and the remaining $9 million will be payable by installments. Each installment will equal forty percent of "Net Income" which is determined on the basis specified in the agreement, but the balance of the $9 million has to be paid in any event no later than 30 November 2006. The licensed trademarks were recorded at the net present value of the estimated future cash payments to be made as at 31 December 1996. The difference between the cash price equivalent of the intangible asset and the total payment is capitalised and has been offset against the payable to the affiliated company. In arriving at the net present value of the future cash payments, a discount rate that approximates the cost of funds to the Company has been used. The approximate net carrying amount and the remaining amortisation period of the Indian Sub-continent trademark as at 31 December 2003 are $6,261,000 and 33 years (2002: $6,451,000 and 34 years), respectively.

In addition, a subsidiary, Dewey, owns the "Del Monte" and "Today's" trademarks for use in connection with processed foods in the Philippines ("Philippine trademarks"). The approximate net carrying amount and the remaining amortisation period of the Philippine trademarks as at 31 December 2003 are $3,055,000 and 27 years (2002: $3,168,000 and 28 years), respectively.

These trademarks give the Group the exclusive perpetual right to use the trademarks in the specified countries. It is expected that a significant amount of revenue will be generated from the use of these trademarks for at least 40 years.

8. OTHER ASSETS

	Group	
	2003	**2002**
	$'000	*$'000*
Advances to growers	4,717	4,159
Land expansion (development cost of acquired leased areas)	912	803
Others	404	389
	6,033	5,351

Advances to growers may be applied against the minimum guaranteed profits to growers. Land expansion assets are development costs of newly acquired leased areas which include costs such as creation of access roads, construction of bridges and clearing costs.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

9. INVENTORIES

	Group	
	2003	**2002**
	$'000	*$'000*
		(Restated)
Finished goods		
– at cost	16,733	9,472
– at net realisable value	142	24
Raw materials and packaging supplies		
– at cost	24,222	31,701
– at net realisable value	432	–
	41,529	41,197

Movements in provision for inventory obsolescence during the financial year were as follows:

At beginning of year	440	523
Provision for the year	2,132	1,130
Write-off against provision	(46)	(1,171)
Currency realignment	(21)	(42)
At end of year	2,505	440

10. BIOLOGICAL ASSETS

	Group	
	2003	**2002**
	$'000	*$'000*
Livestock		
– at fair value	2,623	3,691
– at cost	1,122	2,033
	3,745	5,724
Deferred growing crops – at cost	30,489	30,970
	34,234	36,694

The Group's livestock comprises live cattle, growing herd, beef herd, dairy and cattle for slaughter. The fair value was determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs. Live cattle are valued at fair value less estimated point-of-sale costs. Growing herd, beef herd, dairy and cattle for slaughter are valued at cost.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*
for the year ended 31 December 2003
(Amounts in United States dollars unless otherwise stated)

10. BIOLOGICAL ASSETS *(Cont'd)*

Reconciliation of changes in the carrying amount:

	Group	
	2003	**2002**
	$'000	*$'000*
Livestock		
At beginning of year/date of acquisition	5,724	4,921
Currency realignment	(250)	(143)
Increases due to purchases	14,082	18,744
Gain (loss) arising from changes in fair value less estimated point-of-sale costs attributable to price changes	369	(292)
Decreases due to sales	(16,180)	(17,506)
At end of year	3,745	5,724

	Group	
	2003	**2002**
	$'000	*$'000*
Deferred growing crops		
At beginning of year	30,970	30,563
Currency realignment	(1,302)	(901)
Additions	24,468	24,324
Harvested	(23,647)	(23,016)
At end of year	30,489	30,970

11. TRADE DEBTORS

	Group	
	2003	**2002**
	$'000	*$'000*
Trade debtors	21,633	20,512
Less provision for doubtful debts	(961)	(956)
	20,672	19,556

Movements in provision for doubtful debts during the financial year were as follows:

At beginning of year	956	1,236
Provision for the year	177	63
Write-back of provision	(16)	–
Write-off against provision	(114)	(305)
Currency realignment	(42)	(38)
At end of year	961	956

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

12. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Prepayments	4,093	3,263	–	–
Non-trade debtors	949	920	–	–
Deposits	796	514	–	–
Other recoverables	725	617	–	–
Downpayment from contractors	243	265	–	–
Deferred acquisition costs	–	57	–	57
	6,806	5,636	–	57

Deferred acquisition costs relate to costs which are directly attributed to potential acquisition of investments which are being considered by the Group.

13. DUE FROM/TO SUBSIDIARIES/SHAREHOLDER COMPANIES (NON-TRADE)

These balances are unsecured, non-interest bearing and repayable on demand.

14. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Accrued operating expenses	10,124	9,479	461	587
Customer deposits	3,324	3,470	–	–
Accrued payroll expenses	1,760	2,171	–	–
Withheld from employees (taxes and social security cost)	858	783	–	–
Value-added tax payable	494	84	–	–
Other creditors	19	53	6	6
	16,579	16,040	467	593

Included in the accrued payroll expenses of the Group are retirement benefit obligations of approximately $89,000 (2002: $85,000) (Note 15).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

15. RETIREMENT BENEFIT OBLIGATIONS

A subsidiary, DMPI, has a defined benefit retirement plan covering substantially all of its officers and regular full-time employees. The benefits are based on a percentage of latest monthly salary and credited years of service. Total pension contributions charged to the consolidated profit and loss account amounted to about PHP58.4 million or $1,076,000 for the year (2002: PHP53.7 million or $1,034,000). DMPI's annual contribution to the pension plan consists of payments covering the current service cost for the year plus payments towards funding the actuarial accrued liability, if any.

Amount recognised in the balance sheet:

	Group	
	2003	**2002**
	$'000	*$'000*
Present value of funded obligations	24,600	20,487
Fair value of plan assets	(24,298)	(22,483)
	302	(1,996)
Unrecognised actuarial (gains) loss	(213)	2,081
Net liability recorded under accrued payroll expenses *(Note 14)*	89	85

The pension plan assets include some of the buildings occupied by the subsidiary under a long-term lease with a fair value of approximately $5,554,000 (2002: $5,554,000).

The amount recognised in the profit and loss account is as follows:

	Group	
	2003	**2002**
	$'000	*$'000*
Current service cost	1,070	1,039
Interest cost	2,493	2,425
Expected return on plan assets	(2,487)	(2,430)
Total included in staff costs *(Note 20)*	1,076	1,034

The actual return on plan assets was $2,854,000 (2002: $2,259,700).

Movement in the liability recognised in accrued payroll expenses:

	Group	
	2003	**2002**
	$'000	*$'000*
At beginning of year	85	78
Exchange differences	(28)	(29)
Total expense	1,076	1,034
Contributions paid	(1,044)	(998)
At end of year	89	85

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

15. RETIREMENT BENEFIT OBLIGATIONS *(Cont'd)*

The funded obligation and plan assets are measured and valued with the advice of qualified actuaries who carry out a full valuation once every two years. The last valuation of these obligations and plans was performed in 2001 wherein the results of these valuations form the basis of the fair value of the funded obligations and plan assets for 2002 and 2003.

The principal actuarial assumptions used for accounting purposes were:

	Group	
	2003	**2002**
	% per annum	% per annum
Discount rate	11	14
Expected return on plan assets	11	12
Future salary increases	6.5 – 10	10

16. SHORT-TERM BORROWINGS (UNSECURED)

The amounts are unsecured, bearing weighted average effective interest rates at 1.9% to 10.5% (2002: 3.1% to 8.1%) per annum and mature within twelve months.

The interest rate exposure of the borrowings of the Group was as follows:

	Group	
	2003	**2002**
	$'000	*$'000*
Total borrowings at floating rates	31,276	15,232

17. DUE TO AN AFFILIATED COMPANY (NON-TRADE)

The balance is unsecured, non-interest bearing and is repayable based on the terms as disclosed in Note 7.

18. TURNOVER

Turnover of the Company comprises dividend income from its investment in subsidiaries.

Turnover of the Group comprises gross invoiced sales, net of discounts and returns, and is recognised when goods are delivered, and title has passed, to customers. Significant intra-group transactions have been excluded from Group turnover.

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Sale of goods	200,445	196,370	–	–
Dividend income from unquoted investment in subsidiaries	–	–	23,256	21,000
	200,445	196,370	23,256	21,000

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

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19. OTHER OPERATING EXPENSES

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000* (Restated)	*$'000*	*$'000*
Provision for inventory obsolescence	2,132	1,130	–	–
Incentive award benefit *(Note 26)*	1,800	1,861	–	–
Direct write-off of inventories	1,232	219	–	–
Write-off of deferred acquisition costs	351	184	351	184
Amortisation of trademarks	303	303	–	–
IAS 41 – changes in fair value of livestock and harvested pineapples that remain unsold as at the end of the year	(512)	(7)	–	–
Product claims	340	118	–	–
Product reconditioning costs	396	–	–	–
Others	1,856	940	94	190
	7,898	4,748	445	374

20. STAFF COSTS

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Wages and salaries *(Note (a) below)*	28,951	28,343	654	596
Social security costs	1,303	1,173	–	–
Pension costs – provident fund	367	318	–	–
Pension costs – defined benefit plans *(Note 15)*	1,076	1,034	–	–
Incentive award benefit *(Note 26)*	1,800	1,861	–	–
Production profit share *(Note (b) below)*	87	158	–	–
	33,584	32,887	654	596
Number of persons employed on a full-time basis at end of the year	5,707	5,790	–	–

(a) Includes directors' fees and remuneration of the Group and Company of approximately $937,000 and $654,000 (2002: $948,000 and $596,000), respectively.

(b) In compliance with the Philippine Comprehensive Agrarian Reform Law ("CARL") under Executive Order No. 229 and Republic Act No. 6657, a substantial portion of the land previously leased in the Philippines by DMPI from the National Development Company ("NDC") was submitted for land distribution to the Department of Agrarian Reform ("DAR") and subsequently awarded to beneficiaries who formed a cooperative.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*
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20. STAFF COSTS *(Cont'd)*

On 21 February 1989, DMPI and the beneficiaries' cooperative entered into a lease agreement on the said land at a certain fee for a period of 25 years starting 1 March 1989. DMPI used the land and paid rentals based on the lease agreement pending formal ratification of such agreement by DAR. On 11 January 1991, DAR ratified the amendment in the existing lease agreement, which reduced the lease period to 10 years and increased the annual fee effective from 12 December 1988. On 11 January 1997, DMPI and the beneficiaries' cooperative entered into a new lease agreement extending the lease period for another 25 years starting 11 January 1999.

The remaining land leased from NDC devoted to non-agricultural activities is not submitted for land distribution and continues to be subject to a long-term lease extending until 2032.

Privately owned lands are covered by existing crop producer and grower contracts which are continually being renewed. For certain private lands that exceed the allowable retention limits, the law requires compulsory acquisition and distribution to qualified beneficiaries. The continuation of these lease agreements is dependent on the terms and conditions to be agreed upon by the parties involved.

Pursuant to the requirements of the CARL, the Company granted its qualified employees, who are regular farmworkers and technical farmworkers, a share in the production profits realised from the operation of leased private agricultural land under deferred coverage of the CARL in accordance with the sharing scheme approved by DAR.

The Company has accrued for the estimated amount of production profit share of approximately $87,000 (2002: $158,000) that the Company believes is in full compliance with the implementing guidelines of the law.

21. PROFIT FROM OPERATIONS

This is determined after charging the following:

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Auditors' remuneration				
– payable to the auditors of the Company	124	107	111	94
– payable to other auditors	90	80	–	–
Non-audit fees				
– payable to the auditors of the Company	94	1	93	1
– payable to other auditors	–	10	–	10
Depreciation of fixed assets	5,196	4,405	–	–
Provision for doubtful trade debts	177	63	–	–
Provision for inventory obsolescence	2,132	1,130	–	–
Research and development expenditure	158	119	–	–
Operating lease rentals	4,974	4,681	–	–
Loss on disposal of fixed assets	–	48	–	–

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

22. FINANCIAL INCOME (EXPENSES)

(a) Financial income

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Interest income from:				
– bank deposits	444	495	–	–
– affiliated companies	388	283	–	–
	832	778	–	–

(b) Financial expenses

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Interest expenses on:				
– bills payable	(1,720)	(1,091)	–	–
– factoring	(109)	(141)	–	–
– others	(333)	(298)	–	–
Foreign exchange losses, net	(437)	(107)	–	–
	(2,599)	(1,637)	–	–

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

23. TAXATION

(a) Group income tax has been calculated on the estimated assessable profit for the year at the rates prevailing in the respective foreign tax jurisdictions. Details of provision for Group foreign income tax are as follows:

	Group	
	2003	**2002**
	$'000	*$'000*
Current tax		
– current year	2,159	2,583
Deferred tax		
– current year	(465)	535
	1,694	3,118

The Company

There is no tax expense for the Company as the income of the Company is exempt from all income taxes in the British Virgin Islands.

The Group

The effective income tax rate of the Group for the year was 5.3% (2002: 8.2%). The reconciliation between tax and profit before taxation multiplied by the applicable tax rate is as follows:

	Group	
	2003	**2002**
	$'000	*$'000*
Profit before taxation	31,891	38,286
Taxation on profit at the weighted average of the applicable tax rates *(see (b) below)*	1,441	3,145
Tax effect of IAS that was taxable at 5.3% (2002: 8.2%)	(136)	(3)
Final tax on dividend	382	–
Translation adjustment	–	(29)
Others	7	5
	1,694	3,118

(b) The applicable weighted average tax rate is determined to be 5.3% (2002: 8.2%) and is calculated using the tax rates applicable in the jurisdictions where the companies in the Group operate. Although the Group's principal subsidiary is in the Philippines where the current tax rate is 32% (2002: 32%), other companies in the Group operate their businesses in jurisdictions where they are subjected to lower tax rate or considered exempt from tax.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

23. TAXATION *(Cont'd)*

(c) The tax impact of temporary differences between the basis of assets and liabilities for financial reporting and taxation purposes that gives rise to deferred tax assets or liabilities are analysed as follows:

Group

	At beginning of year $'000 (Restated)	Charged/ (credited) to profit and loss $'000	Exchange difference $'000	At end of year $'000
Deferred income tax liabilities				
Accelerated depreciation allowance	3,242	349	(141)	3,450
Deferred growing corps	5,484	117	(232)	5,369
IAS 41 – changes in fair value of livestock and harvested pineapples that remained unsold as at the end of the year	76	27	–	103
	8,802	493	(373)	8,922
Deferred income tax assets				
Provisions	428	954	(32)	1,350
Foreign exchange differences	122	5	(5)	122
	550	959	(37)	1,472
Net deferred tax liabilities	8,252	(466)	(336)	7,450

(d) The total amount of potential income tax consequences that would arise from the payment of dividends to the shareholders of the Company, resulting from a withholding tax of 15% on the total revenue reserves as at 31 December 2003 of a subsidiary based in the Philippines, is approximately $12,877,000 (2002: $13,305,000).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

24. DIVIDENDS

	Group		Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Final dividend paid in respect of the previous financial year of 1.56 cents per share less tax at Nil % (2002: 1.38 cents per share less tax at Nil %)	16,717	14,788	16,717	14,788
Interim dividend paid of 0.41 cents per share less tax at Nil % (2002: 0.41 cents per share less tax at Nil %)	4,396	4,394	4,396	4,394
	21,113	19,182	21,113	19,182

Subsequent to the financial year, the directors declared a final dividend of 1.28 cents per share, less tax at Nil %, amounting to $13,722,614 in respect of the financial year ended 31 December 2003. These dividends have not been provided for in the financial year ended 31 December 2003.

25. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2003	**2002**
Net profit attributable to shareholders *($'000)*	30,197	35,168
Weighted average number of ordinary shares in issue *('000)*	1,071,838	1,071,629
Basic earnings per share *(in cents)*	2.82	3.28

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares which are the share options granted to employees.

For the diluted earnings per share in relation to the share options, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average share price of the Company's shares for the financial year) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. For the share options calculation, no adjustment is made to net profit attributable to shareholders.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*
for the year ended 31 December 2003
(Amounts in United States dollars unless otherwise stated)

25. EARNINGS PER SHARE *(Cont'd)*

	2003	2002
Net profit attributable to shareholders, representing amount used to determine diluted earnings per share *($'000)*	30,197	35,168
Weighted average number of ordinary shares in issue *('000)*	1,071,838	1,071,629
Adjustments for share options *('000)*	930	–
Weighted average number of ordinary shares for diluted earnings per share *('000)*	1,072,768	1,071,629
Diluted earnings per share *(in cents)*	2.81	3.28

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

The major shareholders of the Company are Del Monte Holdings Limited (formerly known as Juliet Holdings SA) and MCI Inc (both incorporated in the British Virgin Islands). Del Monte Holdings Limited is an indirect wholly-owned subsidiary of Cirio Del Monte NV in Amministrazione Straordinaria (incorporated in the Netherlands). MCI, Inc is a wholly-owned subsidiary of Macondray & Co, Inc (incorporated in the Philippines).

The Group and the Company had significant transactions with related parties in terms agreed between the parties as follows:

	Group		Company	
	2003	2002	2003	2002
	$'000	*$'000* (Restated)	*$'000*	*$'000*
Income				
Sales to Cirio Del Monte group of companies	20,218	19,247	–	–
Sales to Macondray group of companies	2,372	1,571	–	–
Financial income from Cirio Del Monte group of companies	388	224	–	–
Financial income from Macondray group of companies	–	43	–	–
Sub-total	22,978	21,085	–	–
Expenses				
Purchases from Cirio Del Monte group of companies	154	166	–	–
Purchases from Macondray group of companies	2,194	2,263	–	–
Management fees to a subsidiary, DMS	–	–	238	220
Purchases from Waterloo Land and Livestock Co Pty Ltd (WALLCO)*	7,128	4,875	–	–
Sub-total	9,476	7,304	238	220
Aggregate value	32,454	28,389	238	220

* *WALLCO became an affiliated company in May 2002.*

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

26. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Cont'd)*

The transactions with related companies are carried out under commercial terms and conditions. Pricing for the sales of products are market driven, less certain allowances, with prices for certain supplemental volumes subject to a price floor mechanism intended to cover product costs. For purchases, the Group policy is to solicit competitive quotations. Bids from any related party are evaluated on arm's length commercial terms and subject to bidding against third party suppliers. Purchases are normally awarded based on the lowest price.

The aggregate value of the sales, purchases and other transactions between the Group, Cirio Del Monte group of companies and Macondray group of companies for the financial year 2003 amounted to $32.5 million (2002: $28.4 million). All related party transactions during the financial year (save for those below S$100,000) were conducted pursuant to the shareholders' mandate obtained at the Company's last Annual General Meeting ("AGM") held on 14 May 2003. The Company will seek a fresh mandate for recurrent related party transactions in the forthcoming AGM to be held on 28 April 2004.

Post employment benefits to management personnel and employees

Certain management personnel of the Group and directors of the Company are entitled to post employment benefits as defined under a subsidiary's defined benefit plan. The retirement plan covers substantially all of the subsidiary's officers and regular full-time employees. The benefits are based on a percentage of latest monthly salary and credited years of service (Note 15).

Shares issued and share options granted to directors

Pursuant to the Company's Initial Public Offering ("IPO") in 1999, Reserved Shares amounting to an aggregate of 19,829,000 ordinary shares of par value US$0.01 each were issued to the then directors at the IPO price US$0.63 each. As at 31 December 2003, the directors of the Company holding office at the end of the financial year held an aggregate of 2,818,540 (2002: 3,214,000) ordinary shares of par value US$0.01 each.

Pursuant to an Executive Stock Option Plan, the Company granted 5,941,668 IPO Options to the then directors of the Company in 1999, under the same terms and conditions as those offered to other group executives (Note 3). As at 31 December 2003, the outstanding number of IPO options granted to the directors of the Company holding office at the end of the financial year was 2,403,837 (2002: 2,781,835).

In addition, on 2 March 2001, the Company granted 4,750,000 Market Share Options to the then directors of the Company, under the same terms and conditions as those offered to other group executives (Note 3). As at 31 December 2003, the outstanding number of Market Price Options granted to the directors of the Company holding office at the end of the financial year was 2,750,000 (2002: 3,250,000).

Incentive award programmes

The Group has incentive award programmes which cover its managerial and executive personnel. Each year, DMPI accrues for estimated liability for bonuses based on the current year performance.

Supply contracts

The Group has a long-term supply contract for pineapple products with Del Monte International, Inc, (formerly known as Cirio Del Monte International, Inc) a member of the Cirio Del Monte group of companies, which had been in effect since 1990. Under this agreement, canned pineapples and juice, mixed tropical fruits and pineapple concentrate are supplied by the Group for distribution in European, African and Middle Eastern markets. Pricing in this contract is market driven, less certain allowances, with prices for certain product volumes subject to a price floor mechanism intended to cover product costs (Note 28(c)).

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

27. CONTINGENCIES

(a) The Group is contingently liable with respect to lawsuits, tax assessments, and certain matters arising out of the normal course of business. Management believes that the resolution of these contingencies will not have a material effect on the results of operations or the financial condition of the Group.

(b) As at 31 December 2003, the Group had outstanding letters of credit amounting to approximately $3.0 million (2002: $2.1 million).

(c) A subsidiary, DMPI, has issued a corporate guarantee in favour of a bank for granting bank facilities totalling approximately $11.0 million to another subsidiary, GTL. As at 31 December 2003, GTL has not utilised the said bank facilities (2002: $5.0 million).

28. COMMITMENTS

(a) Operating lease commitments

Based on the existing agreements, the future minimum rental commitments as at 31 December 2003 for all non-cancellable long-term leases of real property, offices, equipment and grower agreements (including the estimated rental on lands previously owned by NDC and submitted for land distribution in compliance with the CARL) are as follows:

	Group		**Company**	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Within one year	4,292	3,343	–	–
Between one to five years	18,235	15,371	–	–
More than five years	38,993	44,218	–	–
	61,520	62,932	–	–

Included in the above were commitments denominated in Philippine Peso of PHP3,368 million (2002: PHP3,309 million).

Most of the above leases contain renewable options. Some of the leases contain escalation clauses but do not provide for contingent rents. Lease terms do not contain any restrictions on Group activities concerning dividends, additional debts or further leasing.

(b) Future capital expenditure

	Group		**Company**	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Capital expenditure not provided for in the financial statements				
– commitments in respect of contracts made	77	1,925	–	–
– uncommitted amounts approved by directors	6,338	4,206	–	–
	6,415	6,131	–	–

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

28. COMMITMENTS *(Cont'd)*

(c) Supply contracts

The Group has entered into long-term international supply contracts with six distributors in the normal course of business. Five of these distributors have exclusive rights to the Del Monte trademarks in their respective market territory or product category. The supply contracts with these parties are generally terminable by giving the other prior written notice of between 18 to 36 months (from certain pre-agreed dates onwards) or based on agreed expiry terms of the contracts, subject to options to renew the agreements and other terms and conditions as stated in each agreement with the respective distributor. Pricing of the sales of products under the supply contracts are generally market driven, less certain allowances, with prices for certain product volumes subject to a price floor mechanism intended to cover product costs.

(d) Forward foreign exchange contracts

During the year, a subsidiary entered into forward exchange contracts with certain banks to hedge against foreign currency exposures during the year. As of 31 December 2003, there is no outstanding short-term forward exchange contract (2002: no outstanding short-term forward exchange contract).

29. FINANCIAL INSTRUMENTS

Aggregate banking facilities for trade financing (including letters of credit and bills purchase lines) and receivables factoring as at 31 December 2003 were $143.0 million, of which $32.6 million had been utilised (2002: $138.1 million, of which $20.2 million had been utilised).

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and approves policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rate available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information on Group's interest rate exposure is also disclosed in the Notes on the Group's borrowings.

Liquidity risk

Short-term funding is obtained from short-term bank loan facilities.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

29. FINANCIAL INSTRUMENTS *(Cont'd)*

Foreign exchange currency risk

Foreign currency risk arises from a change in foreign currency exchange rate, which is expected to have an adverse effect on the Group in the current reporting period and in future years. The Group operates within the Asia Pacific region and the Americas and companies within the Group maintain their books and records in their respective measurement currencies. The Group's accounting policy is to translate the profits/losses of overseas companies using the average exchange rates during the year. Net assets denominated in foreign currencies and held at the year-end are translated into United States dollar, the Group's reporting currency, at exchange rates approximating those prevailing at the balance sheet date. Fluctuations in the exchange rate between the measurement currencies and the United States dollar will therefore have an impact on the Group.

A subsidiary of the Group operating in the Philippines, with measurement currencies in pesos, is exposed to the volatility in its foreign currency cash flows from sales and purchases denominated in foreign currencies, primarily in the United States dollar and euro. The subsidiary relies on some natural hedge and hedging as a risk management tool.

The Group and its subsidiary companies use forward exchange contracts to manage its foreign exchange exposure on forecasted imports, forecasted exports and existing foreign currency denominated receivables and payables.

Credit risk

The Group sells its products through major distributors in various geographical regions. Credit risk exposure to the Group lies in the outstanding trade receivables recorded in the balance sheet as at year-end.

Apart from the above, the Company and the Group have no significant concentration of credit risk with any single counterparty or group counterparties.

Fair values

The carrying amounts of the following financial assets and financial liabilities approximate to their fair value: cash and bank balances, fixed deposits, trade debtors and creditors, other debtors and creditors and short-term borrowings.

Fair value of the amount due to an affiliated company (non-trade) included under non-current liabilities in the balance sheet is approximately $8,010,000 (2002: $7,359,000). The fair value has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

30. GROUP SEGMENTAL REPORTING

Primary reporting format – business segments

The Group sells its products on a worldwide basis. Its main business is the manufacture and sale of processed and fresh fruit products, which are broken down into three product segments. The product segments are processed products, beverages and non-processed products. Each segment primarily consists of the following product variety: (1) Processed products: pineapple solids, tropical mixed fruits, tomato-based products, pasta, vinegar and others; (2) Beverages: pineapple juice, juice drinks and pineapple concentrate; and (3) Non-processed products: cattle and fresh pineapples.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

30. GROUP SEGMENTAL REPORTING *(Cont'd)*

Primary reporting format – business segments *(Cont'd)*

Segment assets consist primarily of operating assets such as fixed assets, other assets, inventories, trade and other debtors and other current assets. Unallocated assets comprise short-term deposits and cash and bank balances. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise short-term borrowings, provision for taxation and deferred taxation. Capital expenditure comprises additions to fixed assets and intangible assets.

Year ended 31 December 2003

	Processed Products	Beverages	Non-processed Products	Consolidated
	$'000	*$'000*	*$'000*	*$'000*
Turnover	137,644	48,195	14,606	200,445
Profit from operations, representing segment result	23,822	9,351	485	33,658
Net foreign exchange loss	(305)	(126)	(6)	(437)
Profit before interest and taxation*	23,517	9,225	479	33,221
Net interest expense	(926)	(384)	(20)	(1,330)
Profit before taxation	22,591	8,841	459	31,891
Taxation				(1,694)
Net profit attributable to shareholders				30,197
Segment assets	116,540	47,057	7,537	171,134
Unallocated assets				50,510
Consolidated total assets				221,644
Segment liabilities	24,673	6,595	1,635	32,903
Unallocated liabilities				39,458
Consolidated total liabilities				72,361
Capital expenditure	4,138	3,289	132	7,559
Depreciation	3,186	1,846	164	5,196
Amortisation	206	70	27	303
Non-cash expenses (net) other than depreciation and amortisation	1,053	830	98	1,981

* *Effective 2003, the Group adopted the generally accepted definition of PBIT, which is Profit before Interest and Tax. Previously, the Group's definition of PBIT was Profit before Interest Expense, Foreign Exchange Loss and Tax.*

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

30. GROUP SEGMENTAL REPORTING *(Cont'd)*

Primary reporting format – business segments *(Cont'd)*

Year ended 31 December 2002 (Restated)

	Processed Products	Beverages	Non-processed Products	Consolidated
	$'000	*$'000*	*$'000*	*$'000*
Turnover	134,394	41,380	20,596	196,370
Profit from operations, representing segment result	29,308	7,710	2,127	39,145
Net foreign exchange loss	(79)	(24)	(4)	(107)
Profit before interest and taxation	29,229	7,686	2,123	39,038
Net interest expense	(563)	(157)	(32)	(752)
Profit before taxation	28,666	7,529	2,091	38,286
Taxation				(3,118)
Net profit attributable to shareholders				35,168
Segment assets	111,909	50,172	10,369	172,450
Unallocated assets				27,837
Consolidated total assets				200,287
Segment liabilities	24,235	6,474	1,577	32,286
Unallocated liabilities				24,623
Consolidated total liabilities				56,909
Capital expenditure	6,062	4,086	167	10,315
Depreciation	2,542	1,683	180	4,405
Amortisation	199	67	37	303
Non-cash expenses (net) other than depreciation and amortisation	1,315	521	(60)	1,776

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

for the year ended 31 December 2003

(Amounts in United States dollars unless otherwise stated)

30. GROUP SEGMENTAL REPORTING *(Cont'd)*

Secondary reporting format – geographical segments

The Group's three business segments are managed on a worldwide basis through two main geographical areas, namely, Asia and Europe/North America.

	Turnover		Total assets		Capital expenditure	
	2003	2002	2003	2002	2003	2002
	$'000	*$'000*	*$'000*	*$'000* (Restated)	*$'000*	*$'000*
Asia	128,449	133,536	221,644	200,287	7,559	10,315
Europe/ North America	71,996	62,834	–	–	–	–
Total	200,445	196,370	221,644	200,287	7,559	10,315

Segmentation of revenue is based on the geographical area in which the customers are located. Total assets and capital expenditure are shown by the geographical area in which the assets are located.

31. DIRECTORS' REMUNERATION

Number of directors of the Company in the various remuneration bands are as follows:

	Group					
	Executive Directors		Non-executive Directors		Total	
	2003	2002	2003	2002	2003	2002
S$500,000 and above	–	1	–	–	–	1
S$250,000 to S$499,999	–	2	–	–	–	2
S$0 to S$249,999	3	–	8	8	11	8
	3	3	8	8	11	11

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to First Pacific. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors in the Company and its associated corporations

As at the Latest Practicable Date, the following Directors were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares of equity derivatives and debentures of First Pacific or any associated corporation (within the meaning of the SFO) which: (a) were required to be notified to First Pacific and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to First Pacific and the Stock Exchange:

(i) Long positions in shares in First Pacific

Name	Nature of interest	Ordinary shares	Approximate percentage of issued share capital (%)	Ordinary share options
Sutanto Djuhar	30.0 per cent. interest			
Tedy Djuhar	10.0 per cent. interest			
Ibrahim Risjad	10.0 per cent. interest			
Anthoni Salim	10.0 per cent. interest all via First Pacific Investments Limited[1]	790,229,364[C]	24.78	–
Anthoni Salim	33.3 per cent. interest via First Pacific Investments (BVI) Limited[2]	628,296,599[C]	19.70	–
Manuel V. Pangilinan		6,026,759[P]	0.19	31,800,000
Edward A. Tortorici		13,132,129[P]	0.41	31,800,000
Robert C. Nicholson		–	–	24,500,000
His Excellency Albert F. del Rosario				2,840,000
Benny S. Santoso		–	–	2,840,000
Graham L. Pickles		–	–	2,840,000
Edward K.Y. Chen (GBS, CBE, JP)		–	–	2,840,000

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

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

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

(ii) Long positions in shares in associated corporations

- Manuel V. Pangilinan owned 15,048,064 common shares(P) in Metro Pacific Corporation ("**MPC**"), 188,312 common shares(P) in Philippine Long Distance Telephone Company ("**PLDT**") and 360 preferred shares(P) in PLDT as beneficial owner and a further 15,417 common shares in PLDT as nominee for another person (not being a director, chief executive or a connected person of First Pacific), as well as 3,500,000 common shares(P) in Pilipino Telephone Corporation.

- Edward A. Tortorici owned 16,741,348 common shares(P) in MPC, 104,874 common shares(P) in PLDT.

- Sutanto Djuhar owned 15,520,335 ordinary shares(C) in Indofood.

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

- Ibrahim Risjad owned 6,406,180 ordinary shares(P) in Indofood.

- Anthoni Salim owned 632,370 ordinary shares(C) in Indofood.

- Albert F. del Rosario owned 95,025 common shares(P) in PLDT, 1,560 preferred shares(P) in PLDT, 4 common shares(P) in Prime Media Holdings, Inc. ("**PMH**") as beneficial owner and a further 32,231,970 preferred shares in PMH as nominee for another person (not being a director or chief executive of First Pacific), 100 common shares(P) in Negros Navigation Co., Inc., 4,922 common shares(P) in Costa de Madera Corporation, 19,999 common shares(P) in FPD Savills Consultancy Philippines, Inc. as beneficial owner and one common share in FPD Savills Consultancy Philippines, Inc. as beneficiary of certain trusts, 15,000 common shares(P) in Metro Pacific Land Holdings Inc., and 80,000 common shares(P) in Metro Strategic Infrastructure Holdings, Inc.

Notes: (C) = Corporate interest (P) = Personal Interest

Save as disclosed in this Circular, as at the Latest Practicable Date, none of the Directors and chief executive of First Pacific were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of First Pacific or any associated corporation (within the meaning of the SFO) which: (a) were required to be notified to First Pacific and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to First Pacific and the Stock Exchange.

(b) Interests of Substantial Shareholders in the Company

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

(i) First Pacific Investments Limited ("**FPIL-Liberia**"), which is incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares as at the Latest Practicable Date, representing approximately 24.78 per cent. of the Company's issued share capital at that date. FPIL-Liberia is owned by the Chairman (Anthoni Salim), three Non-executive Directors (Sutanto Djuhar, Tedy Djuhar and Ibrahim Risjad), the former Chairman (Soedono Salim) and a former Non-executive Director of the Company (Sudwikatmono), in the proportions specified in the table on page 200 and in note (1) to the table. Each of these persons is taken to be interested in the shares owned by FPIL-Liberia.

(ii) First Pacific Investments (BVI) Limited ("**FPIL-BVI**"), which was incorporated in the British Virgin Islands, beneficially owned 628,296,599 ordinary shares as at the Latest Practicable Date, representing approximately 19.70 per cent. of the Company's issued share capital at that date. Anthoni Salim, the Chairman, and Soedono Salim, the former Chairman of the Company, each beneficially owns one-third or more of the issued share capital of FPIL-BVI and, accordingly, each of them is taken to be interested in the shares owned by FPIL-BVI.

(iii) Marathon Asset Management Limited ("**Marathon**"), which was incorporated in the United Kingdom, held 224,582,173 ordinary shares of the Company as at 27 January 2005, representing approximately 7.05 per cent. of the Company's issued share capital. As at the Latest Practicable Date, the Company has not received any other notification from Marathon of any change to such holding.

(iv) Brandes Investment Partners, LP ("**Brandes**"), a U.S. company, notified the Company that it held 350,389,792 ordinary shares of the Company on 4 November 2005, representing approximately 11.00 per cent. of the Company's issued share capital. As at the Latest Practicable Date, the Company has not received any other notification from Brandes of any change to such holding.

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

(c) Mr Edward A. Tortorici has a service contract with the Company which expires on 31 December 2007. Apart from that, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with First Pacific, or any of its subsidiaries, which is not expiring or determinable within one year without payment of compensation (other than statutory compensation).

(d) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to First Pacific or any of its subsidiaries since 31 December 2004 (the date to which the latest published audited consolidated financial statements of the First Pacific Group were drawn up).

(e) Save as disclosed herein, there is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the First Pacific Group.

3. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the First Pacific Group within two years preceding the date of this Circular which are or may be material:

(a) the Share Purchase Agreement;

(b) the Foreign Share Sale and Purchase Agreement dated 15 January 2004 entered into among First Pacific, Idea Cellular Limited ("**Idea**"), Personal Communications (Mauritius) Limited and Escotel Mobile Communications Limited ("**Escotel**") in respect of the sale of First Pacific Group's 49 per cent. shareholding in Escotel to Idea for an aggregate consideration of Rs.700.0 million (approximately HK$117.0 million);

(c) the Inter Corporate Facility Agreement dated 15 January 2004 entered into among First Pacific, Idea, Escorts Limited ("**Escorts**") and Escotel in respect of the advance of a facility in the principal sum of Rs.710.0 million (approximately HK$118.7 million) from Idea to Escotel to service its obligations under certain long term facilities;

(d) the Loan Assignment dated 15 January 2004 entered into between First Pacific, Escorts and Escotel in relation to the assignment of a loan (the aggregate liability of Escotel to First Pacific under the loan amounts to Rs.881,075,663 (approximately HK$147.3 million)) from First Pacific to Escorts;

(e) the Subscription Agreement dated 12 January 2005 made between First Pacific, First Pacific Finance Limited ("**First Pacific Finance**") and UBS AG in respect of the issue of US$199 million (approximately HK$1,552.2 million) Zero Coupon Guaranteed Exchangeable Notes due 2010 (the "**Notes**");

(f) the Trust Deed dated 18 January 2005 made between First Pacific, First Pacific Finance, The Hongkong and Shanghai Banking Corporation Limited and Larouge B.V. ("**Larouge**") constituting the Notes; and

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

Based on information from the Registry of Corporate Affairs in the British Virgin Islands (where Del Monte is incorporated), as at the Latest Practicable Date, there is no material contract to which Del Monte is a party which is to be included in the above disclosure. The Company has not verified and is not in a position to verify the information included in the before mentioned registry.

4. LITIGATION

As at the Latest Practicable Date, no material litigation or claims are threatened or pending against the First Pacific Group and the Directors, having made all reasonable enquiries, are not aware that any such material litigation or claims are pending or threatened against the First Pacific Group. As at the Latest Practicable Date, based on information available from an electronic composite litigation search of the public records of the Supreme Court of Singapore for the years 2003, 2004 and 2005 in Singapore (where Del Monte is listed) and a search of the Index of Civil Suits maintained at the Supreme Court Registry in the British Virgin Islands (where Del Monte is incorporated) (which would not reveal details of proceedings which have been filed but not actually entered in the Index of Civil Suits at the time of the search), there is no judgment against Del Monte nor any legal proceeding pending in the British Virgin Islands to which Del Monte is subject. The Company has not verified and is not in a position to verify the information included in the before mentioned public records and registries.

5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the First Pacific Group since 31 December 2004 (being the date to which the latest audited financial statements of the First Pacific Group were drawn up).

6. PROCEDURES TO DEMAND A POLL AT THE SPECIAL GENERAL MEETING

In accordance with Bye-law 79 of the Company's Bye-laws, every resolution put to the vote at a Shareholders' meeting shall be decided on a show of hands unless before or on the declaration of the results of the show of hands, a poll is demanded by:

(i) the chairman of the meeting; or

(ii) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(iv) a member or members present in person or by proxy and holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

In accordance with Bye-law 80 of the Company's Bye-laws, if a poll is demanded in the manner aforesaid, it shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not more than 30 days from the date of the meeting or adjourned meeting at which the poll was demanded, as the chairman directs. The results of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

7. MISCELLANEOUS

(a) As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates have any interest in any business which competes or is likely to compete with the business of the First Pacific Group.

(b) The Company Secretary of First Pacific is Ms Nancy L.M. Li, BA., FCS, FCIS.

(c) The Qualified Accountant of First Pacific is Mr Joseph H.P. Ng, MBA, FCCA, CPA.

(d) The registered office of First Pacific is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda, and the head office is at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

(e) The Principal Share Registrar and Transfer Office is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda.

(f) The Share Registrar and Transfer Office (Hong Kong Branch) is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(g) The English text of this Circular shall prevail over the Chinese text in case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office in Hong Kong of First Pacific on any week day (except public holidays) up to and including 8 December 2005:

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

(b) the service contract of Mr Edward A. Tortorici referred to in paragraph 2(c) above;

(c) the annual reports of First Pacific for the years ended 31 December 2003 and 31 December 2004;

(d) the interim report of First Pacific for the six months ended 30 June 2005;

(e) the material contracts referred to in paragraph 3 above;

(f) this Circular; and

(g) the circular of First Pacific dated 2 February 2005.

FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00142

NOTICE IS HEREBY GIVEN that a special general meeting of First Pacific Company Limited ("**First Pacific**" or the "**Company**") will be held at The Victoria and Chater Rooms, 2nd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Friday, 9 December 2005 at 10 a.m. for the purpose of considering and, if thought fit, passing (with or without modification) the following resolutions as Ordinary Resolutions:

"THAT:

1. the proposed acquisition by the Company, directly or through a wholly-owned subsidiary, of 428,570,000 ordinary shares of Del Monte Pacific Limited ("**Del Monte**") (the "**Acquisition**") on the terms of and subject to the conditions of, and for the consideration specified in, the Share Purchase Agreement dated 9 November 2005 and made between Cirio Finanziaria S.p.A. in Amministrazione Straordinaria, Del Monte Holdings Limited and First Pacific (the "**Share Purchase Agreement**") be and is hereby approved; and any Director of the Company be and is/are hereby authorised to arrange for the execution of such documents in such manner as they may consider necessary and desirable and to do, or authorise the Company to do, whatever acts and things they may consider necessary or desirable or expedient for the purpose of, or in connection with, the implementation and completion of the Share Purchase Agreement and/or any matter related thereto and to make or agree, or authorise the Company to make or agree, such amendments or variations thereto, and grant, or authorise the Company to grant, any waivers of any conditions precedent or other provisions thereof as such Director of the Company in his discretion considers to be desirable and in the interests of the Company; and

2. subject to and conditional upon the Share Purchase Agreement becoming unconditional in all respects and completion of the Acquisition, the making of the mandatory conditional cash offer by First Pacific Brands Limited, a wholly-owned subsidiary of the Company (the "**Offeror**"), under the Singapore Code on Take-overs and Mergers (the "**Singapore Takeovers Code**"), for the remaining issued or to be issued share capital of Del Monte which is not already owned, controlled or agreed to be acquired by the Offeror or any party acting or presumed to be acting in concert with it (within the meaning ascribed to that term under the Singapore Takeovers Code) and any options to

the extent required by the Singapore Takeovers Code (the "**Offer**") be and is hereby authorised and approved and any Director of the Company be and is/are hereby authorised to arrange or to instruct or direct the Offeror to arrange or to instruct or direct the Offeror to arrange for the issue and/or execution of such documents in such manner as they may consider necessary and desirable and to do, or authorise the Company to do or to instruct the Offeror to do or authorise to be done, whatever acts and things they may consider necessary or desirable or expedient for the acquisition of the whole of the issued share capital of Del Monte, taking Del Monte private and for the purpose of, or in connection with, the implementation and completion of the Offer or any matter related thereto."

By order of the Board
First Pacific Company Limited
Nancy L.M. Li
Company Secretary

Dated: 21 November 2005

Notes:

1. Any shareholder entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of First Pacific.

2. A form of voting proxy for the special general meeting is enclosed. In order to be valid, the form of voting proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney or other authority must be deposited at First Pacific's head office (Attention: Corporate Secretarial Department) at 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, not less than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting should they so wish.

3. Any shareholder entitled to attend and vote at the special general meeting convened by the above notice who has a material interest in the proposed transaction and his associates must abstain from voting on the resolutions set out in the above notice to approve the proposed transaction.